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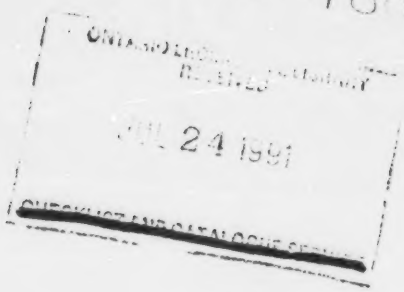

THE ONTARIO OPERATING FUNDS DISTRIBUTION MANUAL

A Manual Governing The Distribution of Ontario Government Operating Grants to Ontario Universities and University-Related Institutions (Formula Manual)

1990-91 FISCAL YEAR

University Relations Branch
Ministry of Colleges and Universities
Toronto, Ontario

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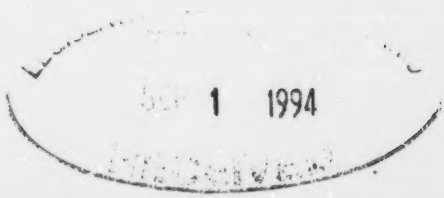

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TABLE OF CONTENTS

1. GENERAL..... 1

1.0 Definitions..... 2
1.1 Historical Background..... 5
1.2 Outline of Distribution Mechanism for 1987-88 and Beyond..... 7

1.2.1 Basic Grants Envelope..... 9
1.2.2 Enrolment Adjustment/Accessibility Envelope..... 10
1.2.3 Mission-Related Institution Specific Envelope..... 12

1.2.3.1 Northern Grants..... 12
1.2.3.2 Institutional Weights..... 14
1.2.3.3 Bilingualism..... 14
1.2.3.4 Differentiation..... 15
1.2.3.5 Extraordinary Grant to Algoma..... 16

1.2.4 Research Overheads/Infrastructure Envelope..... 16
1.2.5 Program Adjustment Envelope..... 18
1.2.6 Faculty Renewal Program..... 24
1.2.7 Library Enhancement and Student Equipment Fund..... 28
1.2.8 Special Purpose Grants..... 31

2. ELIGIBLE INSTITUTIONS..... 32

2.1 Provincial Assisted Institutions..... 32
2.2 Church-Related and Federated or Affiliated Institutions..... 32

3. ELIGIBLE PROGRAMS..... 35

3.1 Program Approval Policy..... 35

3.0.1 Historical Record..... 35
3.0.2 Current Policy - Undergraduate..... 36
3.0.3 New Programs - Graduate Level..... 37
3.0.4 Programs in Education..... 37

3.1 Categorization and Weighting..... 38

3.1.1 General..... 38
3.1.2 Undergraduate, Diploma and First Degree..... 39

TABLE OF CONTENTS (Continued)

3.1.3 Miscellaneous Other Undergraduate Level..... 40
3.1.4 Graduate Level Programs..... 42
3.1.5 Special Notes..... 43

4. ENROLMENT REPORTING REQUIREMENTS..... 44

4.1 Definitions..... 44
4.2 Ineligible Students..... 45
4.3 Eligible Undergraduate Students..... 48
4.4 Eligible Graduate Students..... 52
4.5 Imputing Procedure for Undifferentiated First Year..... 55
4.6 Minima-Maxima Provisions..... 56

5. SPECIAL PROVISIONS..... 59

5.1 Tuition Fees..... 59

5.1.1 Regular Tuition Fees..... 59
5.1.2 Compulsory Ancillary Fees..... 60
5.1.3 International Student Fee Differentials and Exemptions..... 62

5.2 Exchange Programs and Study Abroad Courses and Programs..... 69
5.3 Students Enrolled at Unrelated Institutions..... 71

TABLE OF CONENTS (Continued)

APPENDIX 1.1	Summary of Major Changes in the Formula 1967-68 to 1986-87
Appendix 1.2.2	Enrolment Adjustment/Accessibility Envelope
Appendix 1.2.3.1	Northern Grants
Appendix 1.2.3.3	Bilingualism Grants
Appendix 1.2.3.4	Differentiation Grants
Appendix 1.2.5	Program Adjustment Envelope Priorities
Appendix 1.2.5.2	Program Adjustment Envelope
Appendix 1.2.7	University Excellence Fund Reporting Requirements (Faculty Renewal)
Appendix 4.0	Enrolment Audit
Appendix 5.1.1	Ontario Universities Standard Fees Schedule, 1990-91 Regular Fees
Appendix 5.1.2	Allowable Non-Tuition-Related Compulsory Ancillary Fees
Appendix 5.1.2.2	Certification of Compulsory Ancillary Fees
Appendix 5.1.3	Ontario Universities Standard Fees Schedule, 1990-91 Differential Fees

FORWARD

In case of conflict, rulings and interpretations in this manual take precedence over those contained in any other document referred to by this manual; however, any such conflict should be brought to the attention of the Director, University Relations Branch.

Under no circumstances should a university make decisions unilaterally on matters requiring an interpretation of the distribution mechanism. Whether the problem is one of definition, one of programs not specifically identified in the categorization scheme, or one of exceptional circumstances requiring special consideration, the matter should be raised formally--prior to completion and submission of enrolment reports--by writing to the Director, University Relations Branch, Ministry of Colleges and Universities.

The ministry fiscal year covered by this edition of the manual is 1990-91. Unless otherwise indicated, the rulings, procedures and definitions, etc., contained herein apply to the whole of this fiscal year.

1. GENERAL

The purpose of a distribution mechanism or formula is to provide an objective mechanism for determining the share of the provincial operating grant to be allocated to each university. The Ontario distribution mechanism aims to ensure a reasonable degree of equity in the distribution of available government support. It does not in itself provide the basis for determining the level of such support. It should be noted that the distribution mechanism is not intended to limit or control the expenditure of funds granted to the universities, except in the case of the specifically targetted envelopes such as research overheads, faculty renewal, program adjustment and the other similar purpose grants allocated for grants-in-aid and other such activities.

The non-targetted university operating grants may be applied to any eligible university operating expenditure. Eligible expenditures include all operating expenditures, except those related to:

(a) assisted/sponsored research,
(b) principal and interest payments on capital indebtedness,
(c) student aid,
(d) ancillary enterprises,
(e) capital projects.

1.0 Definitions

A series of definitions used generally throughout this manual follows. Detailed definitions used in the calculation and reporting of enrolment for funding purposes are contained in Section 4 (Enrolment Reporting Requirements).

1.0.1 Institution

For the purposes of this manual, "institution" means an eligible institution as listed in Section 2.

1.0.2 Program

For the purposes of this manual, a program is defined as a sequence of courses or other units of study prescribed by an institution for the fulfilment of the requirements of a particular degree, diploma or certificate.

1.0.3 Transfer

A transfer is defined as a change from one sequence of courses or other units of study that fulfils the requirements of a degree, diploma or certificate to another sequence of courses that fulfil the requirements of a different degree, diploma or certificate, even if course credits are transferred from one program to the other.

1.0.4 Program Level

For the purposes of this manual, the program levels are defined as follows:

- preliminary or qualifying year
- diploma
- certificate
- undergraduate baccalaureate
- professional
- master's
- doctoral
- special or unclassified

1.0.5 Professional

As used in this manual "professional" refers to programs leading to diplomas or degrees in the following disciplines:

Agriculture
Architecture
Commerce & Business Administration
Dentistry
Divinity/Theology
Education
Engineering
Forestry
Household and Food Science
Hygiene and Public Health
Journalism
Law
Library Science
Medicine
Music
Nursing
Optometry
Pharmacy
Physical and Health Education and Recreation
Physio and Occupational Therapy
Secretarial Science
Social Work
Veterinary Medicine and Animal Science

1.0.6 One Full Term or its Full-Time Equivalent

This is defined in detail in Section 4 (Enrolment Reporting). For undergraduate work, this means at least 0.5 FFTE. For graduate work, this means a minimum of a 1.0 term FTE.

1.0.7 Group I (Type A) and Group II (Type B) International Students

International students are charged additional fees, over and above the rate for domestic students. The rate charged is dependent on the program in which the international student is registered. Those students will be classified as Group I who are reported for formula purposes at a weight per term of 0.75 or less, or as Upper Years Honours Science, Music, or Environmental Studies at weight 1.0 per term. All others will be classified as Group II.

The term Type A is interchangeable with the term Group I and the term Type B is interchangeable with the term Group II. See Appendix 5.1.3 for current fee rates.

1.0.8 Dependent

For purposes of this manual, a dependent of a person includes his/her:

a) spouse,
b) unmarried child, or
c) spouse's unmarried child.

1.1. Historical Background

The idea of devising an objective mechanism to allocate operating grants to Ontario Universities was deliberated for many years. A strong endorsement of this principle came from the 1965 Bladen Commission Report.

The distribution of operating funds to Ontario Universities by means of an enrolment-based formula was first introduced for the 1967-68 fiscal year. The various programs were weighted to approximate relative costs. Basic Income Unit (BIU) counts were generated by multiplying full-time equivalent (FTE) enrolment by the appropriate program weights. (The weights range from 1.0 to 7.5). To calculate the grant entitlement for each institution, the value of the Basic Income Unit was determined by the government, on the advice of the Committee on University Affairs. The dollar amounts of Basic Operating Income (BOI) were calculated by multiplying the BIU counts by the BIU value. Formula Fee rates were set for each program by the government, and reviewed each year. The full-time equivalent enrolment was multiplied by these fee rates to calculate total formula fee income. These formula fees were subtracted from basic operating income to determine each institution's operating grants.

Appendix 1.1 summarizes the changes in the formula between 1967-68 and 1986-87. This first formula was used to determine the allocation of operating grants from 1967-68 through to 1972-73, with only some minor adjustments in weighting schemes and in the calculation of full-time equivalency. However, during this period, a change in policy occurred, whereby the government determined the total available operating grant dollars, rather than the BIU value for the year. This resulted in the formula becoming purely a mechanism for determining the distribution of grants between institutions, rather than the determining factor for the total amount of operating support provided. The BIU value was thereafter merely an artifact, determined by dividing the total available dollars by the total number of funding units in the system.

For the 1973-74 fiscal year, in response to representations from institutions, "slip-year" financing was introduced. Under this scheme, grants were distributed on the basis of the previous, rather than the current year's enrolment, thus permitting more effective planning in the institutions. Grants for the years 1973-74 through to 1975-76 were calculated in this way, with a few more minor changes in weighting and FTE calculation.

For the 1976-77 fiscal year there was a major change in the way that students were counted, with the simultaneous introduction of fractional unit counting and multiple term reporting for all students at the undergraduate level. Also in that year, a freeze was introduced on the graduate counts for funding purposes: the 1975-76 level was to be used for three years. Moreover, to reduce the sensitivity of the distribution mechanism to changes in enrolment at all levels the formula now took into consideration more than one year of enrolment data: in 1976-77 the grants were based on 1/3 1974-75 and 2/3 1975-76 undergraduate data; in 1977-78 an average of the previous three years was used.

For the distribution of 1978-79 operating grants, the formula was amended again: the notion of enrolment averaging to reduce sensitivity to enrolment fluctuations was retained, and the concept of base (or "fixed cost") and moving average (or "variable cost") was introduced. The base years were set at 1974-75, 1975-76 and 1976-77; the moving average consisted of the three years immediately prior to the grant year. To further reduce sensitivity to enrolment changes a factor was introduced which effectively discounted increases or decreases in enrolment beyond the base levels.

This formula remained in operation for grant distribution up to and including grants for 1983-84. The freeze on graduate student counts for funding purposes was lifted for grants distributed in 1979-80. The discount factors employed were 50% at the undergraduate and master's graduate levels, 66 2/3% at the doctoral graduate level.

Operating grants for 1984-85, 1985-86 and 1986-87 were distributed on the basis of an "interim formula", consisting of 2/3 "old" formula and 1/3 "new" formula.

This "new" formula attempted further to reduce sensitivity to enrolment fluctuations, and to combat some concerns about the use of 1974-76 enrolment levels as a base. The "new" base funding BIU and formula fee counts consisted of the average of the old base years, 1974-5, 1975-76 and 1976-77, together with the three years having the highest BIU counts between 1974-75 and 1982-83. This average was thus based on different years depending on the institution concerned. A moving average BIU and fees count was calculated from the latest three years, as before, but was the basis for only 25% of the grant distributed by the "new" formula, at all levels.

1.2. Outline of Distribution Mechanism for 1987-88 and Beyond

On December 17, 1986, the Chairman of the Ontario Council on University Affairs delivered Advisory Memorandum 86-VII, "Modification of the Operating Grants Formula" to the Minister of Colleges and Universities. This advisory memorandum recommended a new operating grants allocation mechanism for 1987-88 and beyond.

Council reaffirmed its objectives for the operating grants distribution mechanism, as outlined previously in Advisory Memorandum 77-VII, "The Ontario System: A Statement of Issues", and re-iterated in Advisory Memorandum 82-XV. The objectives were to provide:

1. funding stability by preventing extreme fluctuations in institutional income;

2. funding predictability to assist institutions in their planning efforts;

3. equitable allocations among institutions;

4. accountability to the public by linking funds to some quantifiable factor; and

5. a method that is simple to use, understandable and practical to implement.

Earlier in 1986, the council had consulted with the institutions on the priority that should be attached to each of these objectives. In general, institutions attached highest priority to funding stability and/or equitable allocation rather than to the other objectives. The primary direction for formula revision chosen by the council was, therefore, enhanced funding stability, in order to achieve the following aims:

(a) protect institutions' funding from the impact of the actions of other institutions;

(b) reduce the incentive for institutions to use growth only for the purpose of increasing their share of total operating grants;

(c) provide the opportunity for quality considerations as well as for quantity considerations in academic decisions; and

(d) reduce short-term variations in funding which may result from fluctuating enrolment patterns in future years.

A secondary direction undertaken in this formula revision was to address some of the concerns raised by institutions about the fairness of the existing formula in recognizing individual institutional needs. The council undertook to address those concerns only if there were new funds available to support adjustments. Such adjustments were not to be made in a zero-sum situation where they would result in reductions in funding for other institutions. The Minister, on November 3, 1986, announced that funds had been made available for the council to address concerns about the recognition of expanded instructional and research activity, and the special needs of the northern institutions. The council, therefore, had two additional aims for its formula revision related to instructional concerns:

(a) to provide appropriate recognition for relative changes in past levels of activity by adjusting the level of funding with due regard to the past legacy of funding patterns; and

(b) to adjust institutional funding over the long term, in relation to changing levels of activity.

The council's recommended formula revision was a multi-faceted system of operating grant distributive mechanisms, with a number of different functions, but integrated in total impact. It is based on an "envelope" approach to operating grants allocation.

Five separate envelopes were designated for 1987-88:

(1) Basic Grants Envelope;
(2) Enrolment Adjustment/Accessibility Envelope;
(3) Mission-Related, Institution-Specific Envelope for:
    (a) Northern Mission
    (b) Institutional Weights (Ryerson and OCA)
    (c) Bilingualism
    (d) Differentiation;
(4) Research Overheads/Infrastructure Envelope; and
(5) Program Adjustment Envelope.

In April 1988, the Minister requested that the OCUA provide advice on a new approach to funding for 1990-91 and subsequent years, to take into account the enrolment growth in 1989-90 and previous years, and to promote a planned and coordinated approach to future growth.

On March 30, 1989, the council provided its advice[1], and the minister accepted a plan for the modification of the corridor mid-points to accommodate growth in the system.

On March 31, 1990, the council provided advice on the new corridor mid-point levels[2].

1.2.1. Basic Grants Envelope

The basic grants allocation mechanism operates in the following manner:

(i) To begin with, each institution's share of the total basic grant equals its share of 1986-87 formula grants.

(ii) Institutions continue to receive approximately this level of "real" basic grants, so long as their "moving-average" of Basic Income Units (BIUs) remains in a corridor of ± 3%. The only variation in an institution's funding would be the tuition fees gained or lost by varying levels of enrolment.[3]

(iii) When an institution's moving-average BIUs fall <u>below</u> its corridor, it would have its BOI, and hence basic grants, reduced in line with the decline in BIUs. With the agreement of the Ontario Council on University Affairs, the institution may negotiate for the establishment of a new corridor lower than its current one at a lower level of basic grants to avail itself of the funding stability inherent within a corridor. A new corridor would be based on an agreed plan. The institution would be able to approach the council prior to, or after, going below its floor. The council would recommend any agreed change to the Minister for approval.

(iv) When an institution's moving-average BIUs go <u>above</u> its corridor, it would receive no

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1 The Ontario Council on University Affairs, Advisory Memorandum 89-II, "Modification of the Operating Grants Formula".

2 The Ontario Council on University Affairs, Advisory Memorandum 90-I, "Revisions to Universities Formula Grants Envelope Corridor Mid-Points as a Result of the 1989-90 Corridor Negotiations".

3 This assumes that total basic grants and formula fee rates increase annually at the same rate. If the percentage increases in total basic grants and formula fee rates differ, the rate of increase in basic grants may vary among institutions according to the proportion of BOI funded by fees at each institution. In this context "real" basic grants refers to the 1986-87 formula grants escalated by the annual increase in system-wide formula grants.

automatic increase in basic grants, but would retain all incremental tuition fees. With the agreement of the council, and if it approaches the council prior to going above its ceiling, the institution may negotiate the establishment of a new corridor above its current level at a higher level of basic grants. A new corridor would be based on an agreed plan. The council would recommend any agreed change to the Minister for approval.

(v) The 1987-88 basic grants entitlements were adjusted as the enrolment/accessibility and institutional weights adjustments were applied.

(vi) Beginning in 1990-91, the basic grants entitlements are being adjusted to reflect the revised corridor mid-points negotiated by the institutions with OCUA during 1989-90. This adjustment is taking place within a temporary "Transition Grants" envelope, and provides added funding based on a revised moving average enrolment count.

1.2.2. Enrolment Adjustment/Accessibility Envelope

In 1987-88, this envelope operated as an adjustment for funding anomalies which developed over the latter years of operation of the previous formula as a result of differences in the patterns of enrolment growth among Ontario universities. In 1988-89, this envelope was designated for the recognition of enrolment growth in 1987-88 beyond 1986-87 levels. In 1988-89, this envelope funded additional enrolment growth in 1988-89 over 1987-88 levels, as well as the flow-through of the 1987-88 over 1986-87 growth, and also provided special funding to encourage participation by currently under-represented groups. See Appendix 1.2.2 for the dollar amounts allocated.

1.2.2.1. Enrolment Adjustment - 1987-88 Grants

In 1987-88, a total of $25 million in enrolment adjustment grants was allocated in the following manner:

(i) $12.5 million was allocated according to each institution's proportion of weighted Growth BIUs. Growth BIUs were defined as the gap between an institutions' undiscounted and discounted BIUs and were calculated by subtracting each institution's 1986-87 Funding BIUs (i.e., discounted BIUs) from the average of its 1983-84, 1984-85, and 1985-86 BIUs (i.e.,

undiscounted BIUs). Each institution's Growth BIUs were weighted according to the proportion of its Growth BIUs to its undiscounted BIUs (the three-year average indicated above).

(ii) $12.5 million was allocated according to each institution's proportion of the university system's unweighted Growth BIUs.

For 1988-89, the grant amounts so generated were included in each institution's Base Grants and Base BOI, for the purposes of calculating subsequent base grant entitlements.

1.2.2.2. Accessibility Envelope - 1988-89 Grants

The accessibility envelope recognized incremental enrolment growth in 1987-88 by funding, in 1988-89, the positive difference between each institution's 1987-88 and 1986-87 BIUs (at a rate equal to the 1988-89 Base BOI per Base BIU), less the positive difference in formula fees between the same two years.

1.2.2.3. Accessibility Envelope - 1989-90 Grants

To address the government's commitment to fully fund the incremental growth identified in 1987-88 in future years, in 1989-90 the positive difference between each institution's 1987-88 BIUs and its 1986-87 BIUs was funded at a rate equal to the 1989-90 Base BOI per base BIU, less the associated incremental formula fees.

The government agreed to fund the positive difference between an institution's 1988-89 BIUs and its 1987-88 BIUs, at a rate determined by the total of the positive increases in BIUs between 1987-88 and 1988-89, to a maximum rate not more than the 1989-90 Base BOI per Base BIU less the associated incremental formula fees.

Total funding under the Accessi bility Envelope in 1989-90 amounted to $88 million. Approximately $37.4 million was allocated to fund the flow-through of 1987-88 growth. A further $4 million was reserved to promote access for disabled persons and the remaining balance of approximately $46.6 million was allocated to fund the enrolment growth between 1987-88 and 1988-89.

1.2.2.4. Accessibility Envelope - 1990-91 Grants

Beginning in 1990-91, the funding provided within the accessibility envelope is being phased down, with the funds being transferred via the temporary "transition grants envelope" to the basic grants envelope (see Appendix 1.2.2). In 1990-91, universities receive 70% of the funding related to enrolment growth in 1987 over 1986 levels, and 85% of the funding related to enrolment growth in 1988 over 1987 levels. The funds thus freed up are used to fund recent enrolment growth, within the transition grants envelope.

1.2.3. Mission-Related Institution-Specific Envelope

This envelope comprises the former categories of operating grant known as "extra formula", together with an additional program, namely a special northern "mission" grants category. A weight adjustment grant to compensate for the phase-in of a new weight, and new fee rates, for Ryerson Polytechnical Institute and for the Ontario College of Art was also included in this envelope in 1987-88 and 1988-89. Extraordinary grants recommended by the Ontario Council on University Affairs may also be included in this envelope from time to time.

1.2.3.1. Northern Grants

(1) Northern Ontario Operations Grants Funding

Northern Ontario Grants are provided to the northern institutions to offset the extra costs faced by these universities. Besides those due to environmental factors, costs include those due to the isolation of northern universities, and the consequent need to maintain a more varied minimum range of programs than would be feasible without extra support. Support levels are determined by OCUA as a percentage of prior year's basic operating income, or in terms of the percentage increase in prior year's Basic Operating Income. The "mini-formula" used for the calculation is outlined in OCUA Advisory Memorandum 75-VII. In Advisory Memorandum 88-III "Northern Ontario Grants Review", the council recommended that this grant continue to be

distributed according to the same mini-formula. This advice was accepted by the Minister. The allocation of northern grants since their inception in 1975-76 is detailed in Appendix 1.2.3.1.

(2) Northern Ontario Mission Grants Funding

Commencing 1987-88, a special annual grant allocation has been made to the northern institutions to address particular needs in providing mission-related university-level education "for the North" in Northern Ontario. In Advisory Memorandum 88-III, the council advised that this grant be distributed to the Northern institutions in the same proportions as the Northern Ontario Operations Grants. The council recommended that the institutions at the beginning of each fiscal year be required to report to the council how these funds are to be spent to support activities related to their Northern Ontario mission and that they be required to report to the ministry three months after the end of each fiscal year as to how the funds were spent. The need for an evaluation was re-affirmed in Advisory Memorandum 89-III.

1.2.3.2. Institutional Weights

In Advisory Memorandum 86-VII, the Ontario Council on University Affairs recommended that institutional funding weights for Ryerson Polytechnical Institute and the Ontario College of Art, as well as their institutional formula fee rates, be increased. This advice was accepted, and the phase-in of fee rates to the "Group 5" level started in 1987-88. An institutional weight adjustment grant was awarded to each institution to reflect the increase in the institutional weight accorded to each institution. These grants are the residual of the Base Basic Operating Income (Base BOI) revenue increase resulting from the increase in institutional weights and the increased level of formula fee revenue generated by the recommended fee rate increase. Institutional weight adjustment grants were temporary grants reflecting a change in BIU and BOI levels. Fully implemented in 1989-90, the movement of fee rates to the "Group 5" level covers the increased BOI for these institutions.

1.2.3.3. Bilingualism

The Government of Ontario has provided special bilingualism grants since 1967-68, in recognition of the costs incurred for this purpose by various institutions. These grants finance three main objectives. First, to provide educational opportunities in their own language to Franco-Ontarians. Second, to make available in institutions of different sizes parallel course streams in a bicultural ambience for both English and French language groups. Third, to provide more or less fully bilingual and bicultural exposure to anglophone and/or francophone groups.[4]

In Advisory Memorandum 83-IX, the Ontario Council on University Affairs documented the incremental cost of existing bilingualism programs using 1981-82 cost data. On the basis of the study's findings, the level and distribution of bilingualism grants were adjusted in 1984-85 to reflect more accurately the incremental costs of bilingualism. This distribution among institutions formed the basis of bilingual grant allocations for the period 1984-85 through to 1988-89. The Ontario Council

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[4] Ref. First Annual Report, Ontario Council on University Affairs, 1974-75.

on University Affairs completed its third cost study of bilingualism in 1988-89, using 1987-88 data. The methodology was revised to include associated computer costs. The recommendations were presented in Advisory Memorandum 89-III and they incorporated the recommendation in Advisory Memorandum 88-IV that an additional $5.0 million be provided for bilingualism programs in 1989-90. The total funds available for annual distribution within this program are equal to the previous year's grants increased by the percentage increase in the total university system basic operating grants. The amounts allocated each year since 1967-68 are contained in Appendix 1.2.3.3.

1.2.3.4. Differentiation

In 1981-82, a new category of operating fund grants was introduced: differentiation grants. In prior years the Ontario Council on University Affairs had repeatedly stated its belief that there was a need for system-wide rationalization. This, it was felt, should be achieved primarily through institutional role differentiation. The council believed that each institution must identify its existing strengths as a basis for planning and development, and channel its initiatives in relation to those strengths. The council considered that differentiation grants were appropriate when an institution accepted a clearly differentiated role, demonstrated its intention to pursue its strengths efficiently and effectively, and required special funding to do so. The renewal or continuation of such a grant depends entirely on the progress the institution makes towards attaining its goals over the period for which the grant is awarded.[5] In 1987-88, the principle of a continuing differentiation grant was established. This new phase in the differentiation grant is geared towards maintaining a previously established differentiated role.[6]

Trent University was the first, and to date has been the only, recipient of a differentiation

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5 The Ontario Council on University Affairs, in Advisory Memorandum 80-VI, "The Allocation of the Government's Operating Support for the University System in 1981-82".

6 The Ontario Council on University Affairs in Advisory Memorandum 87-I, "The Allocation of the Government's Operating Support for the University System in 1987-88".

grant. In the course of its development, Trent has chosen to differentiate itself from the other institutions in the Ontario university system and has a particular role to play as the only institution in the province engaged almost entirely in undergraduate Arts and Science instruction.

The differentiation grants awarded since 1981-82 are detailed in Appendix 1.2.3.4.

In 1988-89, the Ontario Council on University Affairs initiated a thorough review to identify and estimate the incremental costs of Trent's differentiation. The findings are documented in Advisory Memorandum 89-IV. As a result of the findings, it was recommended in Advisory Memorandum 89-III that the level of the differentiation grant should be increased annually by the percentage increase in base funding.

1.2.3.5. Extraordinary Grant to Algoma

In Advisory Memorandum 88-VIII, the Ontario Council on University Affairs responded to the Minister's May 27, 1987 request for advice regarding the appropriateness of Algoma College's mission, range of programs and course offerings, and also Algoma's capital and operating support requirements. Upon acceptance of council's advice, the Minister awarded Algoma College an extraordinary operating grant of $760,000 for 1989-90, subject to the conditions noted in the advisory memorandum. A cost study has been completed and OCUA has provided advice to the Minister regarding the level of grant for 1990-91.[7]

1.2.4. Research Overheads/Infrastructure Envelope

During the discussions which took place in 1985-86 surrounding the modification of the University Operating Grants Formula, concern was expressed about the level of funding provided for the overhead costs of sponsored research through the existing formula grant mechanism. It was pointed out that sponsored research activity and direct funding had increased

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[7] The Ontario Council on University Affairs in Advisory Memorandum 90-VII, "Extraordinary Grant for Algoma College 1990-91".

significantly in recent years. The support of the indirect or overhead costs of this research through operating grants had not kept pace. This had a particularly negative impact on the research infrastructure and other areas of university operations at institutions heavily involved in resource-intensive research.[8]

In 1986-87, under the auspices of the University Excellence Fund program, a total of $15 million was allocated to enhance the research resources of the universities. This money was to be used to assist in the acquisition of research equipment, specialized experimental facilities and highly skilled technical and professional support staff.

The Research Overheads/Infrastructure Funding Envelope provides continuing assistance in the funding of research overheads. The bulk of funding for research infrastructure and overheads will continue to be provided through the base grants envelope. The additional envelope must be considered a marginal funding source for research activity. As such, it should be responsive to changes in the level of sponsored research activity at each university and should reflect the relative levels of costs incurred at each institution.

For 1987-88, the research overheads/infrastructure grants were allocated on the basis of each institution's proportion of peer-adjudicated sponsored research funding awarded to Ontario universities by the Federal Government's three granting agencies (the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council and the Medical Research Council) for the years 1983-84, 1984-85 and 1985-86.

A review of the appropriate long-term mechanism for supporting overhead and infrastructure costs of sponsored research was undertaken by the Ontario Council on University Affairs in 1988[9].

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[8] The Ontario Council on University Affairs, in Advisory Memorandum 86-VII, "Modification of the Operating Grants Formula".

[9] The Ontario Council on University Affairs, in Advisory Memorandum 87-I, "The Allocation of the Government's Operating Support for the University System in 1987-88".

The council recommended [10] that the allocation be made in future years on a similar basis to that made in 1987-88. The distribution will be made on the basis of a three-year moving average, and the total available grants will be increased annually by the same percentage increase as the basic operating grants. For 1990-91, the moving average will encompass the years 1986-87, 1987-88 and 1988-89.

1.2.5. Program Adjustment Envelope

The government's allocation for university operating support announced in November 1986[11] included provision for funds to assist in meeting the costs associated with program closure, program start-up in areas of critical need, moving capacity from one institution to another or initiating co-operative efforts or joint programs in order to facilitate desired program adjustments. These programs will be folded into basic funding, as appropriate, over a reasonable period of time. The overall objective of this envelop is to enhance quality and to encourage rationalization and differentiation.

1.2.5.1. Distribution for 1987-88[12]

The $7 million in Program Adjustment grants for 1987-88 were allocated according to each institution's proportion of the sum of the total Basic Income Units for the years 1984-85, 1985-86 and 1986-87. The funds allocated were to be used to facilitate the type of activities which would bring about needed program adjustments. These funds were not to be treated as normal operating funds.

1.2.5.2. Allocation for 1988-89 and Beyond

The envelope operates on a quasi-competitive basis, with funds allocated according to the assessed merit of proposals submitted to OCUA and recommended by the council to the Minister.

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10 The Ontario Council on University Affairs, in Advisory Memorandum 87-XV, "Research Overheads/Infrastructure Funding Envelope Allocative Mechanism".

11 Letter from the Honourable Gregory Sorbara, Minister of Colleges and Universities to Mrs. Marnie Paikin, Chairman, Ontario Council on University Affairs, November 3, 1986, announcing operating support for 1987-88.

12 The Ontario Council on University Affairs, in Advisory Memorandum 87-VII, "Criteria and Process for the Program Adjustment Envelope, 1987-88".

Because of the compressed time-frame required for 1988-89, an accelerated timetable for the submission and review of proposals was developed by OCUA.

Because the carry-forward commitments, in 1989-90, of projects funded in 1988-89 are significant--accounting for $6.871 million of the $7.0 million available in 1989-90--council recommended in Advisory Memorandum 89-III that no new program adjustment projects be initiated in 1989-90. The $6.871 million identified in Advisory Memorandum 89-VII will be allocated as outlined in that advice.

(1) Objectives

Proposals for program adjustment must demonstrably meet at least one of the following objectives, the relative priority of which may be announced prior to the call for proposals:

(a) enhance quality;
(b) encourage rationalization or consolidation of programs;
(c) encourage institutional differentiation;
(d) provide flexibility to make significant structural changes in program offerings;
(e) facilitate adaptation to downward changes in corridors;
(f) encourage inter-institutional co-operation;
(g) enable shifting of under-utilized resources to better locations.

The Minister's designated priorities for 1990-91 and 1991-92 are contained in Appendix 1.2.5.

(2) Eligible Activities

The following activities are eligible for program adjustment funding, provided that at least one of the objectives is met, and subject to possible ranking in order of priority.

(a) closures of programs and significant contractions;
(b) major shifts in emphasis or capacity within approved programs;
(c) new or significantly expanded co-operative or joint inter-institutional programs eligible for government support, if the program is in an area of critical need;
(d) movement of program capacity among institutions;
(e) development or commencement of programs

which are eligible or become eligible for government support, if the program is in an area of critical need.

The ability of new programs to attract funding from other sources will be taken into account when the Ontario Council on University Affairs (OCUA) assesses proposals for program adjustment funding. The "double-funding" of projects will not be permitted.

(3) Eligible Expenditures

Eligible expenditures under the program adjustment envelope include the following costs, provided institutions contribute a minimum of 25% of the cost from institutional funds already available. Each expense must be related directly to the activity designated.

(a) facilitating early retirements;
(b) buying-out contracts;
(c) transferring employees (faculty or staff) to another institution;
(d) retraining or redeployment of employees (faculty or staff) within an institution beyond normal study and research leaves;
(e) significant equipment and library purchases required for start-ups and increases in capacity;
(f) relocating equipment between institutions;
(g) appointments of employees (faculty or staff) for new initiatives.

Renovation and alteration expenses may be eligible, but only under the costs contributed from an institution's own funds.

Although the list of eligible expenditures is not intended to be exhaustive, any new categories of expense will be recommended by OCUA to the Minister of Colleges and Universities.

(4) Process

(a) The Minister will have an early opportunity each year, before the council calls for proposals, to indicate the critical needs that have been identified to government as requiring new program support, and to indicate the relative priorities among the objectives and eligible activities that have been established for the envelope.

(b) Institutions will have an early opportunity

to propose their needs and priorities to the council.

(c) OCUA will invite proposals annually, in January, sixteen months before the beginning of the effective fiscal year. The call for proposals will reflect the approved priorities and areas of critical need.

(d) Institutions will submit proposals by August 1.

(e) OCUA will review submissions in early Fall.

(f) For each of 1990-91 and 1991-92, the allocation will be divided into two parts: 90% of the available funds in the envelope will be eligible for distribution on the basis of a "notional entitlement" and 10% of the available funds will be distributed on a competitive basis.

(g) The notional entitlement of each institution will correspond to its share of 1989-90 BIUs (See Appendix 1.2.5.2.) Whether some or all of an institution's notional entitlement is actually transferred to the institution depends on the quality of the proposals submitted each year.

(h) Each institution is invited to submit for each year one or more proposals for funding up to the maximum of the institution's notional entitlement, plus one additional project. The one additional project is eligible for the competitive component of the envelope.

(i) OCUA evaluates all proposals submitted (under both components of the envelope) against the criteria and the Minister's stated priorities. If a proposal submitted under the notional entitlement component is deemed not to satisfy the criteria, the sponsoring institution will be permitted only one opportunity to submit a revised or alternative proposal.

(j) The amount available for the competitive component will be supplemented by funds freed up from the notional entitlement component as the result of institutional proposals which are deemed not to satisfy the criteria.

(k) In allocating funds, the council will reject proposals which do not appear to involve significant institutional and system impact. Program adjustment funds are not intended to supplement normal operating grants to make minor adjustments in programs or departmental structure which should be part of the normal process of institutional change.

(l) Major program adjustments should be funded over a number of years (to a maximum of four years), similar to the process used to fund capital projects, where the flow of funds available for each year of the adjustment is identified.

(5) Proposals

Proposals submitted to OCUA from institutions must conform with requirements specified in the council's Guidelines for Submissions published in May 1990. The following information must be included for each project:

(a) a clear description of the activities to be addressed, and the programs to be affected, with specific reference to the priorities;

(b) an explanation of which of the envelope's objectives will be addressed and how each proposal will meet the objective(s);

(c) a description of the overall impact of each proposal on the university system and society in general;

(d) an indication of institutional priority of each proposal;

(e) sufficient program detail to enable the council to assess the quality of each proposal;

(f) an expenditure break-down, including details on the contribution to be made to each project from other funds.

Institutions are required to submit information on proposals in the form of written submissions and software spreadsheets.

(6) Accountability

Commencing 1988-89, the Ministry of Colleges and

Universities requires an annual report from each institution indicating the amount and purpose of all expenditures made on each approved project funded under the program adjustment envelope. Such a report should be submitted within three (3) months of the end of each fiscal year, and should be accompanied by a formal certification by the executive head of the institution to the effect that the funds expended for program adjustment conform with the purposes indicated in the institution's proposal for each approved project. The report and executive head's certification should be submitted to the Director of the University Relations Branch.

The ministry also requires certification from each executive head to the effect that the institution has contributed a minimum of 25% of the cost of each project from sources other than the program adjustment envelope. Such a certification may be submitted at the end of the final year of each approved subject.

A separate audit report of the funds expended under the program adjustment envelope is not required.

1.2.6. Faculty Renewal Program

1.2.6.1. Allocation and Guidelines for 1986-87

In October 1985, the Minister of Colleges and Universities announced the creation of the University Excellence Fund. One component of this fund was intended to increase the proportion of younger faculty and women faculty in the university system. Ten million dollars was allocated for 1986-87 to provide support for new faculty appointments. In May, 1986[13] the government announced its intention to support 500 Faculty Renewal appointments over the five year period 1986-87 to 1990-91.

For 1986-87, entitlements under the Faculty Renewal Program were calculated on the basis of total faculty salary expenditures. The institutions were required to submit proposals detailing how they planned to expend their entitlements. Eligible expenditures included:

- hiring new faculty (particularly younger faculty and women faculty) who did not currently hold a tenured position;
- altering the existing faculty complement through buy-out arrangements or early retirements to replace senior faculty with new appointments, provided that such arrangements in each case could be shown to result in new appointments; and
- providing for professional development and upgrading in addition to that normally undertaken by the institution involved.[14]

Institutions that wished to expend funds on the altering of existing faculty complement through buy-out arrangements or early retirements had to demonstrate how such expenditures would result in the hiring of new faculty. Institutions that wished to expend funds for professional development and upgrading that did not directly result

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13 Letter of May 26, 1986 from the Honourable Gregory Sorbara, Minister of Colleges and Universities to Mrs. Marnie Paikin, Chairman, Ontario Council on University Affairs.

14 Letter of April 10, 1986 from the Honourable Gregory Sorbara, Minister of Colleges and Universities, to Mrs. Marnie Paikin, Chairman, Ontario Council on University Affairs.

in the hiring of new faculty were required to demonstrate why and how such expenditures were more appropriate in pursuit of the overall goal of faculty renewal.[15]

1.2.6.2. Entitlements and Guidelines 1987-88 and Beyond

Beginning in 1987-88, institutions were not automatically entitled to a share of the fund on the basis of a formula. Each institution was required to submit a faculty renewal plan for the remaining duration of the program. These submissions were to describe the institution's current situation, set out how it intended to use the fund to further the program's goals, particularly the improvement of the percentage of women faculty, and set out its own plans to pursue specialization and excellence. The submissions were also to demonstrate how the positions funded by the Faculty Renewal Program would become self-financing at the end of the five year period.

Beginning in 1987-88, eligible expenditures are limited to:

- hiring new faculty (particularly younger faculty and women faculty) who do not currently hold tenured positions; and
- transferring existing faculty on part-time and limited-term appointments to full-time tenure track appointments.[16]

The Ontario Council on University Affairs assigned the task of assessing the institutional submissions, particularly with respect to the appropriateness of the various proposed positions, to it's Academic Advisory Committee (AAC). This committee's report forms Appendix A of the Ontario Council on University Affair's Advisory Memorandum 87-IV, "Faculty Renewal Program: Years Two Through Five".

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15 Letter of April 15, 1986 from Alan K. Adlington, Deputy Minister of Colleges and Universities, to Executive Heads of provincially assisted universities and related institutions.

16 Letter of May 26, 1986 from the Honourable Gregory Sorbara, Minister of Colleges and Universities, to Mrs. Marnie Paikin, Chairman, Ontario Council on University Affairs.

The results of the Faculty Renewal Program are to be monitored yearly in order to assess each institution's success in terms of increasing the number (and hence the proportion) of younger faculty and female faculty. Therefore, as a condition of continuing support under the Faculty Renewal Program, institutions are required to report to the Minister, by the end of the first fiscal year for which each new faculty member hired under the program is appointed, the following information for each position supported:

a) the age of the faculty member hired;
b) the sex of the faculty member;
c) his/her appointment status immediately prior to appointment, i.e., whether on a part-time or contractually-limited appointment and/or whether on the staff of the institution or that of another institution; and
d) the salary and benefits of appointed individuals.[17]

Institutions are requested to submit any proposed changes to their individual faculty renewal plans to the Ontario Council on University Affairs, by November 1st of each year. These submissions should include: a) the departmental affiliation; and b) a statement as to how the proposed appointment will achieve the program's objective of enhancing institutional specialization and excellence.[18] The OCUA will review the submissions and make recommendations to the Minister where appropriate.

The amount of support allocated to each position is based on a specific salary level which was determined in consultation with OCUA and COU. The amount of support for the members of each cohort hired in previous years is updated on an annual basis.

Institutions are required to submit reports to the ministry accounting for any surplus faculty

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[17] Ref.: Ontario Council on University Affairs, Advisory Memorandum 87-IV, Recommendation 87-20, and letter of July 9, 1987 from the Honourable Gregory Sorbara, Minister of Colleges and Universities, to Paul W. Fox, Chairman, Ontario Council on University Affairs.

[18] Ontario Council on University Affairs, Advisory Memorandum 87-IV, Recommendation 87-21.

renewal funds which they receive. In the event that their total actual salary and benefit costs are less than their total entitlements, based on the pre-determined support levels, there are a number of eligible means for spending the surplus funds. These include providing for professional development or upgrading in addition to that normally undertaken, and allowing for the altering of existing faculty complements through buy-out arrangements or early retirements.

Institutions are required to account separately for expenditures pursuant to the Faculty Renewal Program, and to submit special audit reports with respect to the fund, in accordance with the audit guidelines developed for 1986-87 University Excellence Fund expenditures.[19] These guidelines are contained in Appendix 1.2.7.2.

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[19] Letter of April 23, 1987 from the Honourable Gregory Sorbara, Minister of Colleges and Universities, to Mrs. Marnie Paikin, Chairman, Ontario Council on University Affairs.

1.2.7. Library Enhancement and Student Equipment Fund

1.2.7.1. Allocation and Guidelines 1986-87

In October 1985, the Minister of Colleges and Universities announced the creation of the University Excellence Fund. A major component of this fund was the Library Enhancement and Instructional Equipment allocation, to assist institutions in the acquisition of library reference materials and equipment and urgently required teaching aids, computers, laboratory and scientific equipment for instructional purposes.[20]

Each institution's entitlement was based on its 1985-86 enrolment as measured by its Basic Income Units (weighted enrolment). Institutions were asked to submit proposals detailing how they intend to expend their entitlements. In accordance with advice received from the Ontario Council on University Affairs in Advisory Memorandum 85-VII, "University Excellence Fund", these submissions were to be broad in nature, project-oriented (rather than line-by-line), and were to outline the types of expenditures to be undertaken, confirm that the expenditures met the eligibility criteria and indicate the anticipated impact on enhancing the quality of instruction.

Eligible expenditures under this component of the University Excellence Fund included:

- one-time installation costs such as cabling for micro-computer laboratories;
- directly related renovation and alteration costs to reconfigure or adapt the existing physical plant to accommodate the new equipment and to provide access to these acquisitions.

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[20] Letter of October 25, 1985 from the Honourable Gregory Sorbara, Minister of Colleges and Universities to Mrs. Marnie Paikin, Chairman, Ontario Council on University Affairs.

1.2.7.2. Allocation and Guidelines 1987-88

Allocations for 1987-88 were based on actual 1986-87 BIU counts. Eligible expenditures were the same as 1986-87, and reporting requirements were also identical. Proposals were submitted to the Director of the University Relations Branch. Following approval of the institution's proposal, funds were flowed on a calendarized basis.[21]

Institutions were required to account separately for expenditures under the Library Enhancement and Student Equipment Fund, and were also required to submit special audit reports with respect to the fund, in accordance with the audit guidelines developed for the 1986-87 Excellence Fund expenditures. These guidelines are contained in Appendix 1.2.7.

In 1987-88, it remained the government's intention that funds expended under the Library Enhancement and Student Equipment fund be additional to those which would normally have been expended for library reference materials and student equipment. The "additionality" test developed for 1986-87 applied to 1987-88 expenditures. The five-year average representing "normal" levels of expenditures for libraries and instructional equipment was updated to include total 1986-87 expenditures minus 1986-87 Library Enhancement and Student Equipment allocations.

1.2.7.3. Allocation and Guidelines 1988-89 and 1989-90

In a letter, dated November 19, 1987, the Minister advised the Ontario Council on University Affairs that the Library Enhancement and Student Equipment Fund would be incorporated in the basic funding envelope, commencing 1988-89. The amounts allocated in 1987-88 were therefore added to the base operating income of each institution in calculating 1988-89 basic grants.

1.2.7.4. Allocation and Guidelines 1990-91

In 1990-91, an additional $18 million is

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[21] Letter of April 23, 1987 from the Honourable Gregory Sorbara, Minister of Colleges and Universities, to Mrs. Marnie Paikin, Chairman, Ontario Council on University Affairs.

targetted to Library and Student Equipment. The grant is intended to "help provide for modern equipment and library materials and to enhance the quality of education" and "each institution's entitlement will be based on its 1989-90 enrolment as measured by its Basic Income Units (weighted enrolment)."[22]

As recommended in the Ontario Council on University Affairs Advisory Memorandum 90-III, items which are eligible for funding comprise:

- library services and materials;
- instructional equipment for language and scientific laboratories and other teaching and learning equipment such as computers and audio-visual equipment;
- equipment installation costs related to instructional equipment for language and scientific laboratories and other teaching and learning equipment such as computers and audio-visual equipment;
- teaching assistant and laboratory assistant costs in introductory courses; and
- faculty salary expenditures associated with the reduction of class size in introductory courses.

Executive Heads will be required to provide a specific report on the projects, services or equipment purchased with their allocations. This report should provide a brief general description of the projects and/or expenditures on which the allocation has been used, in which eligible category they fall, and should indicate in what manner these projects or expenditures have improved the quality of university education at the institution concerned. These reports should be sent by June 30, 1991, to the Director, University Relations Branch.[23]

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22 Letter of April 24, 1990 from the Honourable Sean Conway, Minister of Colleges and Universities, to Dr. H. V. Nelles, Chairman, Ontario Council on University Affairs.

23 Letter of July 20, 1990 from Dr. T. A. Brzustowski, Deputy Minister of Colleges and Universities, to Executive Heads.

1.2.8. Special Purpose Grants

A number of small operating grant payments are made to Ontario universities and other related institutions to provide funds for special activities and grants-in-aid under special agreements with the specific institutions. The major categories of these other grants are:

(a) Francophone Programs:
French as a Minority Language (start-up and development of French language courses and programs)
French as a Second Language
Ontario/Quebec Exchange

(b) Off-campus Grants to Northern Institutions

(c) Teacher Education In-Service Programs

(d) Grants-in-Aid:
University of Toronto Schools
Bar Admission Program
Ontario Educational Communications Authority (TVOntario)

(e) Special Purpose, Non-recurring Items.

In 1989-90, a $6.1 million special grant was also provided to Ontario universities to compensate for the additional costs, incurred January to March 1990, associated with the Employer Health Tax (as compared with OHIP premiums). The allocation to each institution was determined using estimates of the additional costs which were prepared by the Council of Ontario Universities. Universities were asked to report on actual costs, and adjustments reflecting these actual costs will be made in the fiscal year 1990-91.

2. ELIGIBLE INSTITUTIONS

2.1. Provincially Assisted Institutions

The following institutions are eligible to claim support as outlined in this document, subject to any limitations that may be imposed by the Minister. Eligible enrolment in the federated or affiliated colleges as set out in Section 2.2 may be claimed by the institution below:

Brock University
Carleton University
University of Guelph
Lakehead University
Laurentian University
  Algoma College
  Nipissing College
  Le Collège de Hearst
McMaster University
University of Ottawa
Queen's University
University of Toronto
Trent University
The University of Waterloo
The University of Western Ontario
Wilfrid Laurier University
University of Windsor
York University
The Ontario Institute for Studies in Education
Ryerson Polytechnical Institute
Ontario College of Art
College of the Dominican or Friar Preachers of Ottawa

2.1.1. College of the Dominican or Friar Preachers of Ottawa

Dominican College became eligible for 50% provincial support commencing in September, 1973. Any program introduced after September 1, 1967 must have met, or must meet, the same requirements for program approval as they apply to the provincially assisted institutions as set out in Section 3.1.2.

2.2. Church-Related and Federated or Affiliated Institutions

Institutions named in Section 2.1 may claim full operating support for eligible enrolment in eligible programs in the following church-related institutions which are federated or affiliated with them, subject to the criteria detailed in Sections 2.2.1 - 2.2.3:

Brescia College
Huron College
King's College
St. Peter's Seminary
Queen's Theological College
The University of St. Michael's College
Trinity College
Victoria University
Knox College
Wycliffe College
Regis College
St. Augustine Seminary[24]
Concordia Lutheran Seminary
Thorneloe University
University of Sudbury
Huntington College
McMaster Divinity College
St. Paul University
Renison College
St. Paul's United College
The University of St. Jerome's College
Conrad Grebel College
Waterloo Lutheran Seminary

2.2.1. Conditions for Eligibility - Students

The conditions for eligibility for full support for enrolment in institutions named in 2.2 are:

- that any student for whom operating eligibility is claimed be registered at one of the provincially assisted universities named in Section 2.1 and the degree awarded be that of the provincially assisted university; and

- that the standards of admission, curriculum, graduation, etc. be established and regulated by the appropriate academic bodies of the provincially assisted university.

2.2.2. Conditions for Eligibility - Non-Theological Programs

Only those non-theological programs in existence at the federated and affiliated colleges when the 100% support policy was introduced on September 1, 1974 become automatically eligible. All other non-theological programs must have met, or must meet, the same requirements for program approval as those which apply to the provincially assisted institutions as set out in Section 3.1.2.

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[24] St. Augustine Seminary terminated its initial affiliation agreement with the University of Toronto on July 1, 1988. Thus the University of Toronto did not include enrolment associated with the seminary in its 1988-89 eligible enrolment reports. All enrolment associated with the seminary was removed from the University of Toronto totals, effective for funding in 1989-90. (Enrolment based portions of 1989-90 funding are based on enrolment in the years up to and including 1988-89.) A new affiliation agreement was signed in July 1989. Funding will be re-instated for 1990-91, at which time eligible enrolment will be re-introduced to the University of Toronto totals.

2.2.3. Conditions for Eligibility - Theological Programs

Only those theological programs in existence on September 1, 1967 became automatically eligible for 100% support on April 1, 1976. Any program introduced after September 1, 1967 must have met, or must meet, the same requirements for program approval as those which apply to the provincially assisted institutions as set out in Section 3.1.2.

3. ELIGIBLE PROGRAMS

3.1 Program Approval Policy

3.0.1. Historical Record

3.0.1.1. Undergraduate Programs: 1974 to November 1, 1981

With the approval of their senates, institutions were free to establish new undergraduate programs, and have them funded automatically. Only undergraduate programs of the following types required ministry approval:

(1) new professional programs,
(2) new health sciences programs,
(3) new Ryerson and Ontario College of Art programs,
(4) new programs requiring extra formula support,
(5) new programs not included in existing weight categories for which a formula weight above 1.0 was required.

3.0.1.2. Undergraduate Programs: November 2, 1981 to December 15, 1982

On November 2, 1981, the Minister announced a freeze on all new undergraduate programs under which:

(1) universities were asked to introduce no new undergraduate programs without prior consultation with the Ontario Council on University Affairs;

(2) universities could report enrolment in a new program for formula grant purposes only if the new program had received:

   (a) OCUA's recommendation to the Minister for funding, and

   (b) ministry funding approval.

The freeze applied to any undergraduate program offered by a university after November 1, 1981, which in content, format, or mode of presentation differed significantly from any of the programs previously offered by that university in which students were enrolled. Wherever clarification was required on the application of this general definition to particular cases, it was the university's responsibility to obtain it from OCUA.

Enrolment in new programs not approved for funding was to be reported as ineligible for formula grants.

These freeze requirements terminated in December, 1982.

3.0.2. Current Policy - Undergraduate

3.0.2.1. Basic "Core" Arts and Science Programs

New programs in basic "core" Arts and Science disciplines may be reported as eligible for grant purposes without having to obtain specific ministerial approval, except where such a new program:

(i) does not have a formula weight already assigned and a weight greater than 1.0 is sought; or

(ii) will require extra operating support; or

(iii) cannot be accommodated within existing available university facilities.

Programs in basic "core" Arts and Sciences disciplines are:

Biological Sciences
English Language and Literature
French Language and Literature
General Arts and Science
Humanities
Mathematical Sciences
Physical Sciences
Social Sciences
Theology

3.0.2.2. All Other Programs

All other new university programs at the undergraduate level, including professional, quasi-professional and "special" programs (i.e., programs outside the category defined as basic "core" Arts and Science) may be reported as eligible for operating grants only after review and recommendation by the Ontario Council on University Affairs, and funding eligibility approval has been granted by the Minister.

Hybrid programs consisting of courses falling partly into Section 3.1.2.1 and partly into Section 3.1.2.2 are subject to review, recommendation and funding approval.

The Ontario Council on University Affairs Advisory Memorandum 82-VII will provide guidance in most cases for determining whether a program is new and, if so,

whether or not it requires ministry funding approval. Wherever further clarification is needed on either point, it is the university's responsibility to obtain it from the Ontario Council on University Affairs.

3.0.2.3. Ryerson and Ontario College of Art

Notwithstanding Sections 3.1.2.1 and 3.1.2.2 above, funding for all new or substantially expanded programs at Ryerson Polytechnical Institute and at the Ontario College of Art is subject to OCUA review and recommendation to the Minister, and ministry approval.

3.0.3. New Programs - Graduate Level

New graduate programs that have successfully passed OCGS's appraisals process are referred to OCUA by COU. These programs are then submitted to OCUA's Academic Advisory Committee. OCUA subsequently recommends those programs deemed to meet the council's criteria to the Minister for final approval for funding purposes.

3.0.4. Programs in Education

Some recommendations contained in the report entitled "Financing University Programs in Education" were accepted and implemented by the government in 1972. A weight of 2.0 was assigned to most undergraduate programs, with phasing-in provisions for programs transferred from the Ontario Teacher Education Colleges; an annual weight of 3 was assigned to Master's level programs and the standard annual weight of 6 to Doctoral level programs. The minima and maxima provisions (see Section 4.6) for graduate enrolment counting in programs in education apply only for students first registering after June 30, 1971.

Each university undergraduate teacher education program operates under an agreement between the institution, the Minister of Colleges and Universities and the Minister of Education under the authority of the Education Act. Responsibility for certification and related matters rests with the Minister of Education, while all other responsibility rests with the Minister of Colleges and Universities.

Only programs in education designated as "credit" level by the senate of the university concerned, and which also have the approval of the Minister of Education for certification purposes, where appropriate, are eligible for operating support.

Effective from the beginning of 1980-81, policy on in-service courses is as follows:

All such courses which lead to university credit are eligible to be claimed for operating support. In-service courses not leading to university credit may be claimed for operating support under the "special grants" category, provided these courses have prior funding approval from the Ministry of Colleges and Universities.

3.1. Categorization and Weighting

3.1.1. General

One full-time student enrolled for two terms of general degree work offered in a liberal arts program generates one basic income unit. Work in honours, professional and graduate programs is related on a rough cost basis to this basic core.

The categorization scheme does not pretend to reflect precisely the relative costs or the relative importance of each program at each university. There is no intention that the relationship in the categorization table should be reflected in detail in the spending of any university. The formula weights do not necessarily reflect differences in costs among various subjects within a given program or among program years. The formula for which the weights were initially devised was designed merely to produce a reasonably equitable overall distribution of basic government grants. Use of weighted enrolment, or basic income units, generated by this categorization scheme in various envelopes of the current distribution mechanism reflects the general belief that relative overall program costs continue to be reasonably well defined by the existing categorization scheme.

The calculation of Basic Income Units (BIUs) from Full-time Equivalents (FTEs) and Formula Programs of Study (FORPOS) differs slightly at the undergraduate and graduate levels. A full description of the calculation of FTEs is contained in the annual "Essential Notes and Reporting Instructions". The procedure at the undergraduate level involves multiplying a term FTE count (otherwise known as an FFTE or Fiscal Full-time Equivalent) by an annual weight for the undergraduate FORPOS to come up with the BIU count generated by the student for the term in question. At the graduate level, for fall, winter and spring terms, an annual FTE (1.0 for a full-time student, 0.3 for a part-time student) is multiplied

by a term weight for the graduate FORPOS to produce the BIU count generated by the student for the particular term. For the summer session, graduate students are considered to be full-time for one half a semester, and therefore count for 0.5 FTE each. At both levels the BIUs for each term in which the student is present are then summed over the fiscal year to produce the BIU count generated for that fiscal year.

3.1.2. Undergraduate, Diploma and First Degree

Category 1 **Annual Weight 1.0**

Arts, First Year Honours
Arts, General
Pre-Commerce and Business Administration
Pre-Medicine
Science, First Year Honours
Science, General
Secretarial Science
Social Work, First Year
Theology, both degree and diploma
Undergraduate diploma programs (other than those specifically listed in other categories or otherwise provided for in the annual "Essential Notes and Reporting Instructions")

Category 2 **Annual Weight 1.5**

Art-As-Applied-To-Medicine (University of Toronto)
Arts, Upper Year Honours (including Master's level "make-up" year)
Commerce and Business Administration
Fine and Applied Arts
Health Administration (University of Toronto)
Journalism, Upper Years only
Law
Library Science
Physical Education
Physical and Occupational Therapy
Social Work, Upper Years only

Category 3 **Annual Weight 2.0**

Agriculture
Architecture
Education, Elementary and Secondary
Engineering
Environmental Studies
Food and Household Sciences
Forestry
Hygiene and Public Health
Industrial Design (Carleton)
Music, both degree and diploma
Nursing
Pharmacy
Public Health Nursing, diploma
Science, Upper Year Honours (including Master's level "make-up" year)
(See also Section 3.2.5, Note 2.)

Category 4 **Annual Weight 5.0**

Dentistry
Medicine (except years two and three of McMaster's three-year program; see below)
Veterinary Medicine

3.1.3. Miscellaneous Other Undergraduate Level

Undergraduate programs which do not fall into the categories defined in Section 3.2.2 are shown in the following list. For a more complete list of institution-specific programs and the weights assigned to them, refer to the annual "Essential Notes and Reporting Instructions".

	Annual Weight
Engineering and Forestry Technology (Lakehead University)	1.2
All undifferentiated undergraduate programs in the Faculty of Arts and Science at the University of Toronto, Scarborough College and Erindale College	
1972-73 to 1975-76	1.24
1976-77 to 1977-78	1.279
1978-79 to 1980-81	1.326
1981-82 to 1982-83	1.334
1983-84 to 1985-86	1.37
1986-87 to 1987-88	1.391
1988-89 to present	1.419
Four year Concurrent Teacher Education Program	1.25
Engineering and Management (McMaster)	
Years 2 and 4	1.5
Years 1, 3 and 5	2.0
Journalism - one year post-baccalaureate degree (Carleton)	1.5
York - all undergraduate programs (excluding Law) 1976-77 to 1978-79 only (Regular weighting applied before 1976-77 and after 1978-79.)	1.284
OISE Programs	
Certificate in Adult Education (qualifying or make-up year)	1.0
Master of Arts	1.5
Master of Education (ten unit, without honours)	2.0
Ryerson - All Programs	
1974-75 to 1976-77	1.34
1977-78 to 1979-80	1.38
1980-81 to 1986-87	1.36
1987-88 to present	1.42
Ontario College of Art - All Programs	
1976-77 to 1986-87	1.3
1987-88 to present	1.35
Medical Interns and Residents (three terms)	2.5
Dentistry Residents	2.5

Optometry (three years, i.e., excluding pre-Optometry) 3.0

McMaster - Medicine (three years)
Years 2 and 3 only 7.5
(Year 1 is Category 4, Weight 5.0)

3.1.4. Graduate Level Programs

Note: All graduate theology programs carry a weight of 0.5 per term.

Category 5 Annual Weight 2, Term Weight 1

Master's level and First Year Ph.D direct from a baccalaureate.

Commerce and Business Administration
Health Administration
Journalism
Public Administration

Category 6 Annual Weight 3, Term Weight 1

Master's level and First Year Ph.D direct from baccalaureate.

Criminology
Education
Fine and Applied Arts
Humanities
Library Science (other than "make-up" year)
Law
Mathematics
Master of Philosophy (M.Phil.)
Physical and Health Education
Social Sciences
All specialist Graduate Diploma Courses
Graduate programs n.e.s. (See Section 3.2.5)

Category 7 Annual Weight 4, Term Weight 1.333

Master's level and First Year Ph.D direct from a baccalaureate.

Agriculture
Architecture
Art Conservation
Child Study
Dentistry
Engineering
Environmental Studies
Food and Household Science
Forestry
Geography
Hygiene and Public Health
Medicine
Music
Nursing
Pharmacy
Physical Therapy
Physiological Optics
Psychology
Science (Physical and Biological)
Social Work
Urban and Regional Planning
Veterinary Medicine

Category 8 Annual Weight 6, Term Weight 2

All Ph.D (except First Year Ph.D.) direct from a baccalaureate.

3.1.5. Special Notes

1. "Graduate programs n.e.s. (not elsewhere specified)", as shown in Section 3.2.4 (Category 6), include all graduate degree and diploma programs not specifically covered in other categories mentioned in the above categories, or in the annual "Essential Notes and Reporting Instructions".

2. Students in the upper years of honours undergraduate work in psychology, geography and mathematics shall be included in Category 3 (annual weight 2.0) because costs of undergraduate work in these subjects appear to be, on the average, similar to costs in honours science. At the master's level, however, mathematics would seem to be more appropriately grouped with the humanities and social sciences, and is therefore included in Category 6 (annual weight 3.0), while psychology and geography, because of laboratory and field work requirements, are again classed with science and engineering in Category 7 (annual weight 4.0).

4. ENROLMENT REPORTING REQUIREMENTS

A university must bear the adverse consequences of its own errors in enrolment reporting, but will suffer no loss in respect of enrolment under-reported if the situation arose because of an oversight on the part of the ministry. In submitting reports of actual enrolment, it is the responsibility of the universities to see that no eligible students are unclaimed. Ministry policy with regard to adjustments is contained in Section 1.4 (Error Correction) of the annual "Essential Notes and Reporting Instructions".

The Ministry of Colleges and Universities requires an audit of enrolment data for institutions eligible for operating support. Audit guidelines are contained in Appendix 4.

4.1. Definitions

For purposes of calculating and reporting fiscal FTEs (FFTEs) for undergraduate students, a number of specialized definitions apply:

4.1.1. Term

A period of studies (including examinations) at a university, of about 15 - 17 weeks in length; or one half an academic year; or a semester; or the equivalent, as determined by a university. The terms are deemed to be: spring term (May - August); fall term (September - December); winter term (January - April). At some institutions, summer sessions and/or intersessions also exist. These sessions are about six weeks in length, and provide the equivalent of a term of study in a limited number of courses. These sessions normally take place between May and September.

4.1.2. Academic Year

A period of studies (including examinations) normally comprising the months of September to April/May inclusive, or the equivalent.

4.1.3. Normal Full-Time Study Load

The normal full-time study load of an academic year in a program which would enable qualified persons whose principal activity is study at a university, to qualify for the university's degree or diploma in a specified normal number of academic years or terms for that program, assuming for purposes of definition, no more than one attempt at any part of those studies.

4.1.4. Unit of Study

A course, credit, credit hour or other unit of measurement established by a university to represent one part of the total requirements for completion of a degree or diploma program.

4.1.5. Registration Level

The ordinal number of years, terms, semesters, etc. employed by a university to indicate the standing of a student in the various stages or levels of a program (e.g. first year student, second year student, first semester student, etc.).

4.1.6. Fiscal Full-Time Equivalent

An FTE is represented by a student whose study load in the fiscal year is equal to the normal full-time study load for his or her program and level of registration in the academic year.

4.2. Ineligible Students

4.2.1.

Students enrolled in undergraduate programs of study for which ministry funding approval is required, but has not been obtained.

4.2.2.

Students who are enrolled in a church-related institution which does not meet the criteria outlined by the Minister of Colleges and Universities in his letter of June 26, 1975 concerning affiliation with a provincially assisted degree granting institution. (See Section 2.2.1 for more details).

4.2.3.

Students who are enrolled in an affiliated church-related institution, in a theological program of study introduced after September 1, 1967, which has not met the requirements for program approval as set out in Section 3.1.2, or in a theological program which was ineligible under the former federal scheme of grants for universities and colleges.

4.2.4.

Students in an affiliated church-related institution in a non-theological program introduced after September 1, 1974, which has not yet met the requirements for program approval set out in Section 3.1.2.

4.2.5.

Students enrolled in graduate programs introduced after Spring 1971 which have not received approval in writing from the Ministry of Colleges and Universities, or those for which funding approval has been withdrawn.

4.2.6.

Graduate students enrolled in programs of study that have not been favourably appraised by the Ontario Council on Graduate Studies. (Note that appraisal is mandatory for Ph.D. programs established after January 1, 1969 and Master's programs established after July 1, 1967.)

4.2.7.

Graduate students enrolled in new programs subject to the embargo on new graduate programs (i.e., all programs without enrolment prior to May 1, 1971, except those designated by MCU as exempt from the embargo).

4.2.8.

Students "auditing" university credit courses (possibly registered in a course, but not taking the course for credit standing). To be claimed as eligible, a student must have taken a course for credit standing. Mere registration in a course does not mean eligibility for formula support.

4.2.9.

Students registered in the first year of undergraduate degree programs who, on the applicable count date, have not successfully completed the requirements for the Ontario Secondary School Honour Graduation Diploma (SSHGD), the Ontario Secondary School Diploma with six Ontario Academic Credits (OSSD with 6 OACs), or the equivalent from other educational jurisdictions, with the exception of:

(a) mature students;

(b) students registered in Music at the University of Toronto who have completed the requirements for the Ontario Secondary School Graduation Diploma (SSGD) or the Ontario Secondary School Diploma (OSSD) or the equivalent from other educational jurisdictions and have certain additional qualifications in music;

(c) students registered in the transitional year program of the University of Toronto who lack the ordinary entrance qualifications because of economic, social, cultural or ethnic factors; and

(d) students registered in the first year of a trimester program in the Winter or Spring term at the University of Guelph who leave Ontario Secondary School Year 5 studies before the end of the normal school year with the permission of the high school principal.

4.2.10.

Graduate students for whom the maximum of claimable BIUs has been claimed prior to the term being reported on. (Students who will exceed the maximum as a result of the term being reported on should be claimed as eligible at the full entitlement and adjustment made by means of the minima/maxima provisions, as explained in Section 4.6).

4.2.11.

Graduate students who are registered but inactive. (This would include students working on their thesis and not making substantial demands on the resources of the institution.)

4.2.12.

Students enrolled on a "full-cost recovery" basis. (In such cases, a sponsor pays fees that approximate the operating revenue that the university would have received, had the student been enrolled in the usual way. This includes supernumerary post-graduate medical trainees who are sponsored by foreign governments.)

4.3. Eligible Undergraduate Students

4.3.1. Application of Definitions

The great variety of programs leading to degrees and diplomas means that the calculation of FFTEs by each institution will be determined by the nature of the program itself while, at the same time, complying with the intent of the definitions provided in Section 4.1. Some examples are provided as guidelines:

4.3.1.1.

Some programs measure progress toward the degree or diploma and express requirements for completing the program in exact numbers of units of study. For such programs, the "normal full-time study load" for an academic year is the total number of units of study required to complete the program, divided by the number of academic years of full-time study specified for that program. The FFTEs for a term are calculated by dividing the number of units of study registered by students in the program on the term count date, by the "normal full-time study load" for the academic year.

4.3.1.2.

Some programs measure student progress toward the degree or diploma in "blocks" of study, usually of an academic year in duration. All work prescribed is compulsory, and promotion is from one "registration level" to the next rather than by discrete units of study. There is no part-time study, and students are not permitted to complete the degree or diploma requirements in less than the specified number of academic years or terms of full-time study. The only instance where a study overload is taken is for repeating failed work. In this case, the "normal full-time study load" is the total work of the academic year. The FFTEs for the term are equal to half the number of students registered in the program on the count date of the term.

4.3.1.3.

Some programs, particularly some honour and professional programs, prescribe variable "normal full-time study loads" reflecting the fact that within the same program, there may be differences in the work expected of individual students for the same degree or diploma. This arises because of differences in enrichment or emphasis. For such programs the "normal full-time study load" is any amount of work within the range prescribed. For students whose study loads are outside the range, the "normal full-time study load" would be the mid-point of the range, unless the

institution identifies a point more representative of the loads of students engaged in full-time study in that program. The FFTEs for a term would be equal to half the number of students within the range of the "normal full-time study load" and, for students whose study loads are outside the range, the FFTEs would be determined by the sum of the study loads taken by such students in the term, divided by the normal full-time study load for the academic year. The total FFTEs for the term is the sum of the two situations above.

4.3.1.4.

In the case of students not registered in programs leading to degrees or diplomas but enrolled in units of study which are normally credited toward degrees or diplomas, the "normal full-time study load" and the method of calculating the FFTEs is governed by the program to which the units of study are usually credited.

4.3.1.5.

The FFTEs for students registered on the applicable count dates in the summer sessions or intersessions are calculated by multiplying the number of student registrants by the fraction, in credit value, that the unit of study represents of the "normal full time study load" of the program for the academic year.

4.3.2. Eligibility Criteria - Courses/Programs

For a course or other unit of study to be eligible to be included in the calculation of eligible FFTEs

(a) it must be taken for credit;

(b) it must normally be acceptable for credit as fulfilling in part the requirements for a degree or diploma of that institution;

(c) the student must be held academically responsible for his or her achievement in it (i.e., success, failure, etc. must be noted on the student's permanent record) in a way consistent with treatment of all courses or other units of study in that program.

A course or other unit of study normally credited toward a diploma may not be regarded as eligible to be included in the calculation of eligible FFTEs in a degree program unless it is normally accepted by the institution as fulfilling in part the requirements for a degree.

4.3.3. Diploma or Certificate Programs

Effective May 1, 1986, courses or other units of study within undergraduate diploma or certificate programs at Ontario universities may be included in the calculation of eligible FFTEs only if:

(a) the course is eligible for credit toward a degree as approved by a senate or governing council;

(b) the minimum admission requirements for the certificate or diploma program are the same as those for degree students;

(c) similar methods of academic assessment are employed for degree, diploma and certificate students.[25]

4.3.4. Certificate Programs at Ryerson

Effective May 1, 1986, courses or other units of study within certificate programs at Ryerson may be included in the calculation of eligible FFTEs only if:

(a) the course has been approved as part of an existing degree or diploma program and is transferable for full credit towards a degree or diploma program, and is transferable for full credit towards a degree or diploma;

(b) minimum admission requirements are the same as for degree or diploma students;

(c) similar methods of academic assessment are employed for degree, diploma and certificate students.

4.3.5. Lakehead University Diploma Programs

Notwithstanding Section 4.3.3, courses within diploma programs at Lakehead University (which do not carry degree credit but which are currently being reported as eligible) will continue to be eligible for funding, pending the results of the review of undergraduate programs undertaken at the university.

4.3.6. Arts and Science Programs Not Differentiated Between General and Honours

All students in undifferentiated programs in Arts and in Science not assigned a special weight (that is, a

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[25] Ontario Council on University Affairs Advisory Memorandum 85-I.

weight greater than 1.0) should be reported as if they were in the general course, except in the case of fourth year students (who are readily acknowledge as being in the honours category) and except for students in lower years who by virtue of academic standing, or other appropriate criteria embodied in university regulations, may reasonably be categorized as Honours students. Criteria for such differentiation, insofar as they affect the calculation of funding BIUs, are subject to approval by MCU.

4.3.7. Concurrent Programs

Students concurrently registered in two distinct programs of study may be reported in both programs; however, the FTEs claimed under each program should reflect the course load for only that program. In the event that a student is registered in a course which could be equally well applied to either programs of study, it is up to the institution to decide under which program the course will be counted. The course may not, however, be counted under more than one program for that student at any one count date.

4.3.8. Part-Time Studies

Any university claiming support for students not engaged in studies on a full-time basis will be expected to meet the following criteria:

4.3.8.1. Faculty and Teaching Staff

Instructors of part-time students are full members of the appropriate department and faculty with the full privileges and responsibilities of any regular or part-time faculty member. Appointments to the faculty, terms and conditions of work, including remuneration, should be consistent within the institution irrespective of whether a faculty member is teaching full-time or part-time students. Payment for services rendered should be based upon a regular teaching load, without regard to the time of day at which courses are taught. Overload teaching is not precluded in special circumstances.

4.3.8.2. Academic Structure

The development of courses of study for part-time students should be handled within the normal university structure under the direction of the senate of appropriate academic governing body. In universities where a college system is operative, it may be deemed appropriate to establish or maintain a special college having specific responsibility for part-time students. In such cases, the college itself, as well as the members of the teaching faculty and students, should

have the same relationship to the university, including participation in the governing structure, as would prevail with any other college.

4.3.8.3. Admissions, Examinations and Academic Regulations

Regulations for part-time students should be built into the overall academic structure in such a way that the requirements for admission, promotion, degrees, etc., applying to part-time students are identical with those for full-time students. Special regulations for mature students, for example, should be university-wide or faculty-wide, without respect to whether a student is proceeding towards a degree on a part-time or full-time basis. While it is recognized that some special academic regulations for part-time students in particular may be required, these and academic regulations of a similar nature not specially for part-time students should be developed and administered by the same bodies and in the same manner.

4.3.8.4. Scheduling

The university should schedule its classes on an integrated extended day program basis which allows part-time students to enrol in classes offered during either day or evening hours and full-time students to attend classes specifically scheduled for part-time students when practical. The foregoing does not apply to work done through correspondence courses.

4.3.8.5. Interpretation

Any question with respect to the eligibility of part-time students at university should be submitted in writing to the Director, University Relations Branch, Ministry of Colleges and Universities.

4.4. Eligible Graduate Students

4.4.1. Graduate Student Status

A graduate student claimed for formula support must:

(1) be engaged in studies requiring an honours undergraduate degree, or its equivalent, as a prerequisite for admission -- except for students enrolled in Category 5 graduate programs where the honours degree admission requirement does not apply. (Students holding an undergraduate general degree, or its equivalent, and enrolled in programs listed under Categories 6, 7 and 8 should be identified as "qualifying year" or "make-up" students and reported as undergraduates.)

(2) be making substantial demands upon the resources of the university where registered;

(3) not be enrolled in a baccalaureate program in any of the following professional fields: social work, library science, law, medicine, teacher education (even if such a student possesses an honours undergraduate degree, he or she is not considered to be a graduate student);

(4) not be ineligible for any of the reasons outlined in Section 4.2.

4.4.2. Full-Time Graduate Student

A full-time graduate student must:

(1) be pursuing his or her studies as a full-time occupation;

(2) identify himself or herself as a full-time graduate student;

(3) be designated by the university as a full-time graduate student;

(4) be geographically available and visit the campus regularly. Without forfeiting full-time status, a graduate student, while still under supervision, may be absent from the university (e.g., visiting libraries, doing field work, attending a graduate course at another institution, etc.) provided that, if any such period of absence exceeds four weeks in any one term, written evidence shall be available in the Graduate Studies Office to the effect that the absence has the approval of the Chairman of the Department and the Dean of Graduate Studies;

(5) not be employed outside the university, except by permission of his or her supervisor;

(6) not be regularly employed, save in most exceptional circumstances, on other work or by the university for more than an average of ten hours per week for any term during which he or she is registered as a full-time graduate student. If the student is employed as a teaching fellow or demonstrator, the ten hours per week should represent the <u>total</u> time spent by the student in connection with the appointment -- including preparation, marking examinations, etc.

(7) As well as meeting the requirements for full-time status listed above, a student reported as belonging to the special category known as "summer school graduate student", must have been enrolled in a graduate full-time summer program of not less than six week's duration. The full-time equivalents of summer school graduate students are arrived at by multiplying student numbers by a conversion factor of .50.

(8) If reported as a full-time summer school graduate in the enrolment for a term report, a student could not also, for that term, be reported as a part-time student. The general rule is that no student can be counted in more than one basic

category (full-time, part-time or summer school) in any one term.

4.4.3. Part-Time Graduate Student

All active graduate students other than full-time graduate students as defined above are part-time graduate students.

4.4.4. The Counting of Graduate Students

Graduate enrolment is counted on a semester basis, as for undergraduates. Enrolment for two semesters is required for the completion of a "year" for students in Category 5 (weight 2), while three semesters would be required for each full "year" in Categories 6 (weight 3), 7 (weight 4) and 8 (weight 6). Accordingly, students in Category 5 and Category 6 will earn a weight of 1.000 for each semester of attendance, while Category 7 and 8 students will earn, per semester, weights of 1.333 and 2.000 respectively.

The requirements for graduate student status are detailed in Section 4.4.1.

Minimum and maximum limits apply to the number of BIUs which a graduate student can generate for a university. See Section 4.6 for details.

Part-time graduate students should be reported on a semester basis, calculating the FTE which each student can generate at 0.300 FTE per student. Graduate summer school students are considered as being full-time for one half a semester, and therefore count for 0.500 FTE each. (See also Section 3.2.1).

4.5. Imputing Procedure for Undifferentiated First Year

Where a university employs an undifferentiated program, it is usually impossible to determine first year enrolments which would carry a weight in excess of 1.0 for first year, as first year students are not differentiated until they pass into their second year. In these circumstances, for purposes of calculating the BIU counts which would be generated by these students, enrolments in such programs shall be imputed as follows:

For each program carrying a weight in excess of 1.0 for first year:

4.5.1.

Determine for year A, the ratio of second-year enrolment in that program to total second year enrolment.

4.5.2.

Calculate provisional first year enrolment in that program by applying this ratio to total first year enrolment.

4.5.3.

A year later, on the basis of programs actually taken by the former first year students now in second year, redetermine the ratio.

4.5.4.

Apply the amended ratio to year A's total first year enrolment. The result, for BIU count purposes, will be the final first year enrolment in that program for year A.

4.5.5.

An imputing adjustment in year B will be reported for the difference between provisional and final first year enrolment in that program in year A.

The above procedure can be extended to the second year of programs whose students are not identifiable as being enrolled in them until the third year. Ministry approval is required to claim imputed BIUs for funding. Such BIUs will be treated as normal BIUs for the purpose of financing.

4.6. Minima-Maxima Provisions

The purpose of the minima/maxima provisions is to ensure that the total of funding units claimed for a graduate student fall within a defined range, independent of the actual number of years required by the individual student to complete his or her program of study. These ranges are as follows:

FORPOS Category	Minima	Maxima
Category 6 (Weight 3.0)	3 BIUs	6 BIUs
Category 7 (Weight 4.0)	4 BIUs	8 BIUs
Category 8 (Weight 6.0)[26]	21 BIUs	27 BIUs

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[26] Calculation of claims under these provisions must take into account all units claimed for students while they were in Category 6 or 7 programs.

The minima/maxima provisions were intended to apply only to programs involving a dissertation and ordinarily extending beyond a single academic session. It was for this reason that enrolment in Category 5 programs and in graduate diploma courses are excluded from the minima/maxima provisions. Theology programs are considered to fall within Category 5 for purposes of the minima/maxima provisions, notwithstanding their weight of 0.5 per term.

4.6.1. Effective Dates

The limits shown above came into effect commencing with the 1968-69 academic session, which was the first year for accumulating units to be counted against individual students (1971-72 for students in education programs). The minima entitlement provisions apply only to students whose graduate studies began in 1968-69 or later (1971-72 in the case of students in education programs).

4.6.2. Minima Provisions

If, upon graduation, the total units claimed for a student fall short of the indicated minimum for his or her program, the shortfall may then be claimed as a minimum adjustment. Since it is not possible to predict on given reporting dates whether particular students will in fact be graduating at the conclusion of the semester being reported on, claims for students under the minimum provision should be made after they graduate.

4.6.3. Maxima Provisions

Students who are still in attendance and who have reached their maximum limit in total BIUs should be reported as ineligible for financial support purposes, and no further BIUs may be claimed on their behalf.

4.6.4. Transfer of Entitlement

4.6.4.1.

Students transferring into the Ontario system with advanced graduate standing shall have the number of BIUs ordinarily associated with the obtaining of such standing, attributed to them.

4.6.4.2.

A graduate student transferring from one university to another within the Ontario system shall transfer only the remainder of his or her maximum total units.

4.6.4.3.

Graduate students who transfer to graduate programs other than those originally embarked upon, and on which units were earned will be dealt with as follows:

(a) Where advanced standing was granted, the units ordinarily associated with the obtaining of such standing should be attributed to the student; and

(b) Where no advanced standing was granted, no units previously claimed for the student need be carried forward.

4.6.4.4.

Graduate students in programs approved for funding since the graduate program approvals "freeze" ended in 1979-80, and for which 1979-80, but not prior, enrolment could be reported as eligible, shall have attributed to them the number of BIUs normally associated with their work in these programs to date even though part of it may have been completed before 1979-80 began.

4.6.5. Claiming (or Deducting) of BIUs Under Minima/Maxima Provisions

The report of BIUs claimed or deducted under these provisions should be submitted on the prescribed form along with the enrolment submissions. Claims under the minima provisions should be made on the form submitted immediately following the graduation of the student for whom entitlement is being claimed.

Students partially exceeding the maximum in the term being reported should be shown on the enrolment submission so as to generate the full BIU count in that term, and then the appropriate reduction to attain the maximum should be shown on the minima/maxima form; formula fees will be deducted for all such students. Students who are still in attendance and who have entirely exceeded their maximum limit should be reported as ineligible for grant purposes. Students for whom no units are claimed will not have formula fees charged against them.

5. SPECIAL PROVISIONS

5.1. Tuition Fees

Standard ("formula") tuition fees are taken into account in the calculation of the operating grant entitlements for each institution. In setting its own support levels, the government has to consider the basic operating income of the institutions, of which fees are a part. Regular tuition fee and ancillary fee levels are also an aspect of accessibility policy, which is an important concern of government.

5.1.1. Regular Tuition Fees

5.1.1.1.

Through their acts of incorporation, Ontario universities have full legal authority to establish their own fee levels. While these need not be, and in many instances have not been, identical with the standard fees used in the calculation of operating grant entitlements, the universities have cooperated with the government by keeping actual fees fairly close to the standard fee rates.

5.1.1.2.

The government introduced a provision in 1980-81 allowing institutions to set tuition fee rates of up to 110% of the standard tuition fee rates without reduction in operating grants. This provision was amended for 1987-88, as a result of changes in policy governing ancillary fee structures, providing for tuition fee rates of up to 113% of the standard fee rates without reduction in operating grants. The revenue accruing from the discretionary portion of the fees is not part of the basic operating income and thus may be applied to any category of expenditure.

5.1.1.3.

Whether or not universities levy tuition fees in accordance with the rates shown in Appendix 5.1.1 of this manual (also shown in Appendix 1.6.0 of the "Essential Notes and Instructions" for enrolment reporting), the ministry will deem fees to have been levied at the standard rates for the purpose of calculating grant entitlements.

5.1.1.4.

During the early years of "formula" funding of Ontario universities, some special provisions applied to graduate students. A tuition fee exemption was allowed to full-time graduate students in respect of the third

of three terms consecutively attended. This exemption was discontinued effective September 1, 1972. Further, permission to use government grants and fees to offset the third term fee was discontinued effective September 1, 1975. The standard fee is now deducted for each term of attendance for all graduate students, including the full-time equivalents of part-time students.

5.1.2. Compulsory Ancillary Fees

5.1.2.1.

A compulsory ancillary fee is defined as a fee imposed or administered by a given institution, or one of its constituent parts or its federated or affiliated institutions, in addition to regular tuition fees which a student is required to pay, in order to enrol in, or successfully complete, any credit course.

5.1.2.2.

Compulsory courses are defined by the ministry as those courses which a student is required to take in order to fulfill the requirements of his or her program or degree. This definition is of specific concern with respect to field trip fees (see Appendix 5.1.2).

5.1.2.3.

A tuition-related compulsory ancillary fee is a fee which is levied to cover the costs of items normally paid for out of operating revenue (grants and tuition fees). Effective May 1, 1987, all "tuition-related" compulsory ancillary fees were prohibited. Any revenue resulting from such fees will be considered to be tuition fee revenue.

5.1.2.4.

A non-tuition-related compulsory ancillary fee is a fee which is levied to cover the costs of items which are not normally paid for out of operating revenue, that is, those items listed in Section 1, page 1 of this manual.

For the purposes of this policy, fees for learning material and clothing retained by the student (e.g., micro-computers, dental kits) and fees for material used in the production of items which become the property of the student are considered to be non-tuition-related.

Examples of non-tuition-related fees are included in Appendix 5.1.2.

5.1.2.5.

All compulsory ancillary fees levied by a university or related institution must:

(1) be non-tuition-related, as defined above and exemplified in Appendix 5.1.2;

(2) be approved by the governing body;

(3) be announced prior to collection through the institution's calendar and/or published fee schedule. (The fee schedule must provide a breakdown of all compulsory fees at least at the level of detail shown in Appendix 5.1.2); and

(4) be reported annually to the Minister of Colleges and Universities. This reporting should be as follows:

   (a) six months after the conclusion of each fiscal year, the institution is asked to file with the ministry, a certification of the compulsory ancillary fees charged to students (certification shown in Appendix 5.1.2.2); and,

   (b) twelve months after the conclusion of each fiscal year, the external auditors of the university are required to provide a report to the Deputy Minister, Colleges and Universities, on the university certification with respect to the amount and classification of all compulsory ancillary fees charged.

5.1.2.6.

OCUA Advisory Memorandum 88-II, "Cooperative Education Work-Term Related or Placement Fees", pointed out that there are additional costs associated with evaluating student work-term activity. The Minister recognized these additional costs but noted in the April 29, 1988 responses to OCUA that such costs were, in fact, tuition-related.

On April 29, 1988 the Minister stated that those institutions which could substantiate to the ministry additional costs associated with work-term evaluation, in accordance with the methodology proposed in OCUA Advisory Memorandum 88-II, were permitted an interim discretionary tuition fee increase to recover these costs from their cooperative education students (see Appendix 5.1.2). This interim discretionary tuition fee increase is permitted until such time as the ministry receives and responds to council's advice on the overall costs of operating cooperative educational programs.

5.1.3. International Student Fee Differentials and Exemptions

Differential fees for international students were first instituted in 1977. Effective September 1982, differential fee rates were substantially increased. Grandfathering provisions have applied to each change in rates. Non-exempt students pay a standard fee comprised of the regular fee and an additional fee. Appendix 5.1.3 contains the current fee rates. The differential fee applies to all students except those exempted as detailed below. Where the exemption refers to a student being a "dependent", see Section 1.08 for the definition of dependent. Note that dependent status must be fully documented and must have been established for a minimum of three years prior to the student's application for an exemption.

To be exempt from the differential standard fees, a person must fall within one of the following categories:

5.1.3.1.

A citizen of Canada within the meaning of the Citizenship Act or a person registered as an Indian within the meaning of the Indian Act.

5.1.3.2.

A permanent resident within the meaning of the

Immigration Act, 1976:

(a) a person who has been granted permanent resident status; or

(b) a person who has met "all the preliminary requirements" for permanent residency status, and presents a letter from the Canada Employment and Immigration Commission confirming this. Such letters must be dated prior to the enrolment count date and presented prior to the enrolment report due date. Letters from Canada Immigration, such as the following, will be acceptable:

"TO WHOM IT MAY CONCERN

This will verify that.....
has submitted a request for a visa exemption which has been forwarded to the Governor-in-Council. Providing the applicants meets all necessary Immigration requirements, he/she will be landed when approval from the Governor-in-Council is obtained."

5.1.3.3.

A visitor admitted to and remaining in Canada under clause 10(c) of the Immigration Act, 1976, who has entered Canada, or is in Canada, to carry out his official duties as a diplomatic or consular officer; or as a representative or official properly accredited of a country other than Canada, or of the United Nations or any of its agencies, or of any intergovernmental organizations in which Canada participates; or as a dependent or a member of the staff of any such diplomat, consular officer, representative or official; or a member of a foreign military force or of a civilian component thereof admitted to Canada under the Visiting Forces Act, and any dependents of such personnel.

5.1.3.4.

A dependent of a visitor who is admitted to and remaining in Canada under clause 10(c) of the Immigration Act, 1976, for the purpose of engaging in employment.

5.1.3.5.

A person, and his/her dependents, who:

a) has been admitted to, and remains in, Canada as an officially recognized Convention refugee within the meaning of the Immigration Act, 1976; or

b) is a refugee claimant who applied to the Federal Government for Convention refugee status, prior to January 1, 1989.

Exemption 5.1.3.5 (b) applies to all registrations for program semesters commencing on or after May 1, 1989, and does not apply to registrations for semesters beginning prior to that date. To be eligible for the exemption, individuals must provide documentation from Employment and Immigration, Canada, indicating that their applications for Convention refugee status were made prior to January 1, 1989.

5.1.3.6.

A person, and his/her dependents, admitted to and remaining in Canada under clause 10(a) or 10(b) of the Immigration Act, 1976, who is sponsored and financially assisted through an international student aid program operated by one of the following:

- the African Development Bank;
- the Asian Development Bank;
- the Canadian International Development Agency;
- the Caribbean Development Bank;
- the Inter-American Development Bank;
- the International Development Research Centre;
- the World Bank;
- an aid program of the United Nations or its agencies, provided such a program is recognized and directly or indirectly assisted by the Government of Canada.

Qualifying programs include: Commonwealth Scholarships and Fellowships, NRC Associateships, CIDA bilateral traineeships, and any international student aid program of the Food and Agricultural Organization, the International Atomic Energy Agency, and the World Health Organization.

5.1.3.7.

A person admitted to and remaining in Canada under clause 10(a) or 10(b) of the Immigration Act, 1976, who is sponsored by a foundation recognized by the Minister as:

- registered as a charitable organization either in Canada or another industrialized country; and
- having a particular aid program whose scope is international and primarily aimed at low-income and lower-middle income developing countries; and
- providing full support to the student including travel, living expenses, tuition fees, etc.

5.1.3.8.

A person admitted to and remaining in Canada under clause 10(a) or 10(b) of the Immigration Act, 1976, who is studying in Canada under a cultural exchange agreement between the Government of Canada and the government of another country, provided that under such an agreement, the number of places made available in Ontario universities, Ryerson or the Ontario College of Art normally equals the number of places made available to Ontario residents in the other country.

5.1.3.9.

A person admitted to and remaining in Canada under clause 10(a) or 10(b) of the Immigration Act, 1976, who is studying in Canada under an exchange agreement between an institution in Ontario and an institution of another country, provided that under such an agreement the number of Ontario students going abroad equals or exceeds the number of students from the other country studying in Ontario, and provided that under the agreement all students are registered for complete graduate or undergraduate degree programs, and provided that Ontario students are accorded similar exempt status in the other country.

5.1.3.10.

A person admitted to and remaining in Canada under clause 10(a) or 10(b) of the Immigration Act, 1976, who is a holder of an Ontario Graduate Scholarship or, effective September 1985, the Ontario Attorney General's Graduate Fellowship in Law, or effective September, 1989, the Graduate-Postgraduate Scholarship for the Yemen Arab Republic and Oman.

5.1.3.11.

A person who is a participant in the Ontario-Jiangsu Academic Exchange Agreement between the Ontario Ministry of Colleges and Universities and the Higher Education Bureau of Jiangsu Province, China.

On September 1, 1987, the following exemptions came into effect:

5.1.3.12.

International students who are the dependents of Canadian citizens or permanent residents of Canada.

5.1.3.13.

Visitors, and their dependents, who are admitted to, and remain in Canada, (under clause 10(c) of the Immigration Act, 1976), for the purpose of employment. (This exemption is not applicable to graduate teaching and research assistants.)

5.1.3.14.

Holders of Ontario Graduate Scholarships, who subsequently lose their scholarships, but who maintain the minimum acceptable grade level for Ontario Graduate Scholarship eligibility (i.e., B+), until completion of the program for which they had originally been granted the scholarships.

5.1.3.15.

Holders of Canadian Medical Research Fellowships.

5.1.3.16.

A graduate student selected by his/her university to be exempted from the payment of the differential fee pursuant to the initiative aimed at attracting high-quality international graduate level students, as announced in the budget address of May 20, 1987.

The waivers are available only to full-time international students studying at the graduate level. Each waiver will cover two or three terms, over the period September 1 to August 31.

The ministry's contribution to the cost of each waiver will be paid as a lump sum grant under the special purpose grants envelope, upon receipt of the appropriate documentation from the institution. The remaining cost associated with each waiver will be the responsibility of the institutions.

The waivers will be awarded, to the institutions, on an annual basis. Each institution will be given a fixed number of waivers to allocate, according to a pro-rata distribution, based on a three-year average of full-time graduate enrolment, subject to a minimum of not less than three waivers for any of the provincially-assisted universities. Dominicain College will qualify for one waiver.

Institutions are asked to supply, by November 30 of each year, a list of international students to whom the annual waivers have been awarded. Payments to the institutions will be based on these lists, with confirmation to be provided by the Fall and Winter reports on the USIS-UAR enrolment reporting system. The lists are to be sent to the attention of the Director, University Relations Branch.

In the event that institutions do not appropriately document the granting of their allotted number of exemptions, negative adjustments will be made to the current or the following year's operating grant payments.

Students holding international student fee waivers must be coded appropriately on the enrolment submissions to the USIS-UAR system, both to ensure that payments are verified and to permit the system to exclude these students from the assessment of international student fee differentials which would otherwise be made against the university.

5.1.3.17.

Effective September 1, 1988 recipients of the Graduate Student Award in Canadian Studies, awarded by the Department of External Affairs.

5.1.3.18. "Grandfathered" Students

The grandfather period for undergraduate students terminated on May 1, 1986. The grandfather period for all doctoral students who, by September 1, 1982, had successfully completed one full term or its full-time equivalent at the doctoral level at the same university and in the same program was initially extended to May 1, 1988, and subsequently extended to May 1, 1990. Students who began a doctoral program not more than one term after the completion of a master's program, in the same discipline at the same university, also qualify for the extension of the grandfather period to May 1, 1990.

(1) The "in-program" standard fee level, with annual increases at the same rate as exempt student fee rates, will apply to graduate students who are eligible under this section until they have completed their current programs or until May 1, 1990, whichever occurs earlier.

(2) Until the earlier of these dates, a non-exempt graduate student will be considered "in-program" if by September 1, 1982 he/she had successfully completed in his/her program at an institution at least one full term or its full-time equivalent as a student in that program.

5.2. Exchange Programs and Study Abroad Courses and Programs

5.2.1. Policy Prior to 1981-82

Before 1981-82 students enrolled at Ontario universities but studying abroad were not eligible to be claimed for formula support unless:

(a) their universities in Ontario incurred costs on their account similar to those that would be incurred were the students attending in Ontario; and

(b) ministry approval had been obtained for reporting them as eligible to generate grant.

5.2.2. Policy for 1981-82 and Subsequent Years

Since 1981-82, the ministry's policy on exchange programs and study abroad courses and programs has been as outlined below:

5.2.2.1.

Operating support in intended only for:

(1) Ontario university students registered in Ontario institutions (with one exception explained in 5.2.2.3 below);

(2) enrolment in those credit courses offered abroad (excluding any offered as part of a holiday package of activities):

(a) recognized as integral parts of specific degree programs at the Ontario institution, and

(b) where effectiveness would be seriously impaired if taught at the Ontario institution instead of abroad, and

(c) where duration in contact hours is not less than comparable courses or programs offered at the Ontario institution during the same session.

5.2.2.2.

Subject to the above proviso, a student abroad may be claimed for formula support if he/she is registered in an Ontario institution and enrolled for credit in a degree program described in its official calendar, and is either:

(1) an exchange student studying abroad under the terms of a formal exchange agreement, or

(2) a student not part of an exchange program who has:

(a) been assessed the regular academic fee for the course or program he is taking;

(b) received instruction paid for by the Ontario institution, regardless of whether the course or program is:

(i) offered by the institution's own faculty, or

(ii) provided by faculty hired by the Ontario institution, or

(iii) purchased from a university abroad attended by the student and leading to academic credit,

and where the direct cost (including only items on which provincial operating grants and fees can normally be spent) is similar to that which would be incurred if the student were receiving instruction at the home institution.

5.2.2.3.

An international student studying in Ontario under the terms of a formal exchange agreement referred to in Section 5.2.2.2 above may not be claimed as eligible to generate operating support.

5.2.2.4.

The one exception to 5.2.2.3 is an international student studying in Ontario under the type of inter-institution exchange described in Section 5.1.3.9. In this case, all participants in the exchange are registered in complete graduate or undergraduate degree programs. International participants in such an exchange may be claimed for operating support by the Ontario institution they are attending if the participants from Ontario are registered at the institution in the other country, and are not registered at, or claimed for support by the Ontario institution.

5.2.2.5.

Summary information on all study abroad courses

and programs claimed for operating grants, and all the necessary supporting data should be submitted annually by the responsible deans to the institution's registrar, who should see that they are cross-referenced to individual student records and kept on file to be made available to university auditors during the course of their audits of enrolment. See Appendix 4.0 for audit guidelines.

5.3. Students Enrolled at Unrelated Institutions

5.3.1. Cooperative Programs

Wherever a student registered in a program at one institution receives some instruction in that program from another unrelated institution, the following rules apply:

5.3.1.1.

No matter where the student is taught, BIUs may only be claimed by the student's home university (i.e., the university where the student is registered). Fees will be deducted from the university claiming the Basic Income Units.

5.3.1.2.

The arrangement made for payment between the home and host universities should <u>not</u> be reflected in the enrolment reports. Such matters are internal to the institutions involved.

5.3.2. Letter of Permission

When a student receives a formal letter of permission to register in a course or courses at another unrelated institution, each institution may only claim BIUs for those courses for which the student is actually registered at that institution.

5.3.3. Visiting Graduate Students

When a graduate student is registered in a program at one institution and receives some instruction in that program at another unrelated institution, BIUs may be claimed only by the student's home university, i.e., the university where the student is actually registered. The arrangement made for payment between home and host universities should <u>not</u> be reflected in the enrolment reports, as it is a matter internal to the institutions involved.

APPENDICES

Note:

To facilitate referencing, appendices are numbered to correspond with the section in which they are first referenced. The appendices appear in numerical order, but that order is not necessarily consecutive.

SUMMARY OF MAJOR CHANGES IN THE FORMULA 1967-68 TO 1986-87

GRANTS FOR FISCAL YEAR	BIU VALUE	FORMULA WEIGHT CHANGES	COMMENTS
1967-68	$1,320		
1968-69	$1,450 + $24 computer grant		
1969-70	$1,530 + $26 computer grant	(i) undergraduate medicine: 3.0 to 5.0 (ii) undergraduate dentistry: 3.0 to 5.0 (iii) undergraduate veterinary medicine: 3.0 to 5.0 (iv) interns and residents: 1.5 to 2.5 (v) thesis only category (wt. 1.0) discontinued. Students to be claimed either as full or part-time.	(i) definition of graduate students for category 5 requires only general (not honours) degree plus other new conditions. (ii) FTE of part-time graduates including graduate summer school changed from a division of course registrations by 5 to a multiplication of part-time numbers by 0.30 reported and weighted on a trimester bases.
1970-71	$1,650 (computer grant incorporated in BIU value)	(i) optometry from 2.0 to 3.0	(i) Graduate summer school conversion factor changed from 0.30 to 0.50.
1971-72	$1,730		(i) 10 month fiscal year (ii) Graduate formula fee increased from $133 per term to $242.50 per term; free third term introduced.
1972-73	$1,765		(i) Conversion factor for part-time undergraduates changed from course registrations divided by 6.0 to division by 5.5 for institutions with integrated full and part-time programs. (ii) $100 increase in formula fee for two terms. (iii) free third term ended; graduate bursary introduced.

GRANTS FOR FISCAL YEAR	BIU VALUE	FORMULA WEIGHT CHANGES	COMMENTS
1973-74	$1,825		(i) Slip year introduced. (ii) Part-time undergraduate conversion factor to 5.0.
1974-75	$1,955	(i) Upper years undergraduate social work from: 1.0 to 1.6 (ii) Masters social work: 3.0 to 4.0 (iii) Forestry technology: 1.0 to 1.2 (iv) Engineering technology: 1.0 to 1.2	
1975-76	$2,111	(i) Ryerson weight established at 1.30	(i) Graduate bursary terminated.
1976-77	$2,312 undergraduate $2,255 graduate	(i) Ontario College of Art weight established at 1.30	(i) Undergraduate enrolment based on 1/3 1974-75 and 2/3 1975-76; graduate based on 1975-76 actual with 3 year freeze. (ii) Foreign student fee of $750 per term based on current enrolment. (iii) Fractional unit counting introduced. (iv) Three term undergraduate reporting.
1977-78	$2,542 undergraduate $2,478 graduate		(i) Undergraduate enrolment based on 1/3 1974-75, 1/3 1975-76 and 1/3 1976-77. (ii) $100 increase in formula fee for two terms except for foreign students.
1978-79	$2,678 undergraduate $2,611 graduate		(i) Undergraduate count based on Undergraduate Funding Base plus 1/2 (Moving Average less U.F.B.)
1979-80	$2,833 undergraduate $2,762 graduate		(i) Graduate Funding Base (average of 1974-75, 1975-76 and 1976-77) plus for Masters 1/2 (Moving Average - GFB) and for Doctoral 1/3 (Moving Average - GFB). (ii) Formula fee increased by 5% overall.

GRANTS FOR FISCAL YEAR	BIU VALUE	FORMULA WEIGHT CHANGES	COMMENTS
1980-81	$3,061 undergraduate $2,985 graduate	(i) Ryerson Moving Average Weight changed from 1.30 to 1.38	(i) Formula fee increased by 7.5% overall. (ii) Limit of 10% above formula fee set for actual tuition fees; charges above 10% to result in formula grant reductions.
1981-82	$3,368 undergraduate $3,284 graduate	(i) Changes to Ryerson's institutional weights as follows: Funding base from 1.3 to 1.34 Moving average from 1.38 to 1.36	(i) New policy introduced on exchanges and study abroad. (ii) Freeze introduced on new undergraduate programs. (iii) Formula fee increased by 10% overall.
1982-83	$3,749 undergraduate $3,656 graduate		(i) Freeze is lifted and new program approval policy is introduced re new undergraduate programs. (ii) Extraordinary formula fee increases for "new registrant" foreign students to $1,350 and $2,200 per term, for Type A and Type B programs respectively. Effective September 1, 1982. (iii) All other formula fees increased by 12.2%.
1983-84	$3,962 undergraduate $3,864 graduate		(i) Second and final stage of extraordinary formula fee increases for "new registrant" foreign students. New Rates: $1,890 and $3,080 per term for Type A and Type B undergraduate programs respectively. $2,310 for graduate programs. (ii) All other formula fee rates increased by 5% overall.
1984-85	1983-84 (Old) Formula: $4,128 undergraduate $4,026 graduate New Formula: $3,124 Base $ 977 Moving Average		(i) Combination of 2 formulas used: 2/3 grant calculated with 1983-84 formula and 1/3 grant calculated with new formula. (ii) Special provision to ensure that no institution's formula grant increases by less than 5% over 1983-84 level. (iii) All formula fee rates increased by 5%.

GRANTS FOR FISCAL YEAR	BIU VALUE	FORMULA WEIGHT CHANGES	COMMENTS
1985-86	Old Formula: $4,162 undergraduate $4059 graduate New Formula: $3,187 Base $ 975 Moving Average		(i) All formula fee rates increased by 5%. (ii) Combination of two formulas used again: 2/3 grant calculated using "old" formula, 1/3 grant calculated using "new" formula.
1986-87	Old Formula: $4,309 undergraduate $4,203 graduate New Formula: $3,312 Base $1,006 Moving Average		(i) All formula fee rates increased by 4%. (ii) Special provisions to ensure that no institution's formula and extra formula grant increased by less than 3.5% over 1985-86.

APPENDIX 1.2.2.

ENROLMENT ADJUSTMENT/ACCESSIBILITY ENVELOPE[27]

Year	General Enrolment	Disabled Persons	Total
1987-88	25,000,000		25,000,000
1988-89	36,014,154		36,014,154
1989-90	84,000,000	4,000,000	88,000,000
1990-91	65,522,000	4,188,000	69,710,000

TRANSITION ENVELOPE

Year	Accessibility Envelope (General) Phase-Out	Additional Growth Fund	Total
1990-91	18,478,000	51,400,000[28]	69,878,000

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27 The character of this envelope changed over the years. See Section 1.2.2 for details.

28 Includes $4.7 million added to original allotment of $46.7 million.

APPENDIX 1.2.3.1

NORTHERN ONTARIO OPERATIONS GRANTS

Year	Lakehead	Laurentian	Algoma	Nearst	Nipissing	Total
1975-76	550,000	550,000	90,000	30,000	60,000	1,280,000
1976-77	1,075,000	1,085,000	150,000	90,000	141,000	2,541,000
1977-78	1,257,000	1,223,000	158,000	92,000	187,000	2,917,000
1978-79	1,380,000	1,356,000	166,000	97,000	214,000	3,213,000
1979-80	1,484,000	1,434,000	167,000	93,000	238,000	3,416,000
1980-81	1,572,000	1,508,000	170,000	96,000	245,000	3,591,000
1981-82	1,668,000	1,618,000	170,000	98,000	250,000	3,804,000
1982-83	1,805,000	1,772,000	177,000	102,000	274,000	4,130,000
1983-84	2,027,000	2,018,000	185,000	102,000	340,000	4,672,000
1984-85	2,233,000	2,247,000	191,000	101,000	404,000	5,176,000
1985-86	2,423,000	2,480,000	210,000	110,000	453,000	5,676,000
1986-87	2,598,000	2,671,000	226,000	115,000	478,000	6,088,000
1987-88	2,721,000	2,826,000	237,000	120,000	485,000	6,389,000
1988-89	2,883,000	3,001,000	241,000	117,000	518,000	6,760,000
1989-90	3,156,000	3,353,000	239,000	123,000	583,000	7,454,000
1990-91	3,303,000	3,504,000	252,000	128,000	613,000	7,800,000

NORTHERN ONTARIO MISSION GRANTS

1987-88	1,278,000	1,327,000	111,000	56,000	228,000	3,000,000
1988-89	1,279,000	1,332,000	107,000	52,000	230,000	3,000,000
1989-90	1,270,000	1,349,000	96,000	50,000	235,000	3,000,000
1990-91	1,270,000	1,348,000	97,000	49,000	236,000	3,000,000

APPENDIX 1.2.3.3

BILINGUALISM GRANTS

Year	Ottawa	Laurentian	York	Hearst	Sudbury	St. Paul	Total
1967-68	1,080,000	155,000					1,235,000
1968-69	1,390,083	219,880					1,609,963
1969-70	1,575,323	278,653					1,853,976
1970-71	1,500,000	390,000					1,890,000
1971-72	1,500,000	450,000	100,000	18,000			2,068,000
1972-73	1,500,000	540,000	100,000	20,000			2,160,000
1973-74	2,100,000	540,000	128,000	13,600	10,700	19,300	2,598,600
1974-75	2,100,000	540,000	128,000	15,000	12,000	23,000	2,818,000
1975-76	2,310,000	600,000	140,000	20,000	25,000	25,000	3,120,000
1976-77	2,888,000	690,000	161,000	23,000	29,000	58,000	3,849,000
1977-78	3,172,000	758,000	177,000	25,000	32,000	64,000	4,228,000
1978-79	3,345,000	813,000	146,000	34,000	25,000	114,000	4,477,000
1979-80	4,657,000	1,142,000	176,000	52,000	27,000	192,000	6,246,000
1980-81	4,988,000	1,228,000	173,000	59,000	26,000	223,000	6,697,000
1981-82	5,486,000	1,356,000	173,000	68,000	25,000	264,000	7,372,000
1982-83	6,155,000	1,521,000	194,000	76,000	28,000	296,000	8,270,000
1983-84	6,885,000	1,702,000	217,000	85,000	31,000	331,000	9,251,000
1984-85	9,904,000	2,015,000	832,000	106,000	129,000	828,000	13,814,000
1985-86	10,399,000	2,116,000	874,000	111,000	135,000	869,000	14,504,000
1986-87	10,815,000	2,201,000	909,000	115,000	140,000	904,000	15,084,000
1987-88	11,248,000	2,289,000	945,000	120,000	146,000	940,000	15,688,000
1988-89	11,754,000	2,392,000	988,000	125,000	153,000	982,000	16,394,000
1989-90	14,109,000	3,651,000	1,833,000	140,000	196,000	1,465,000	21,394,000
1990-91	14,772,000	3,822,000	1,919,000	147,000	205,000	1,534,000	22,399,000

APPENDIX 1.2.3.4

DIFFERENTIATION GRANTS

Year	Trent
1981-82	1,400,000
1982-83	1,400,000
1983-84	1,500,000
1984-85	1,500,000
1985-86	1,500,000
1986-87	1,500,000
1987-88	1,500,000
1988-89	1,500,000
1989-90	1,590,000
1990-91	1,665,000

APPENDIX 1.2.5

PROGRAM ADJUSTMENT ENVELOPE 1990-91 and 1991-92
Minister's Designated Priorities

On April 25, 1990, the Minister of Colleges and Universities advised the Ontario Council on University Affairs of the critical needs that have been identified as requiring new program support from the program adjustment envelope. In response to a proposal from the council, the Minister authorized the following priorities for the two review cycles of 1990-91 and 1991-92.

The areas of critical need are not ranked in order of priority and apply only to proposals for **new or expanded programs.** The other categories of activity under which proposals may be submitted (such as program closure, contraction and shifts in capacity) continue to be eligible and are not affected by the identified areas of critical need.

The following areas of critical need have been identified by the Minister as priorities for 1990-91 and 1991-92:

- Development or expansion of teaching programs to meet the needs of Ontario's health-care, social service and public education systems, in particular, programs in rehabilitation sciences, nursing, social work and the following teacher education areas: French (first language and second language), technological studies and intermediate/senior mathematics and science;

- Development or expansion of teaching programs to meet the requirements for Ontario's scientific, technical or economic development, and programs to promote environmentaly sustainable development.

Two additional priorities should guide the review process:

- Development or expansion of initiatives (particularly those involving joint, co-operative efforts among institutions) which enhance the extension of programs in areas of critical need to students from underserviced regions of the province or from groups traditionally under-represented in the university sector;

- Development or expansion of initiatives (particularly those involving joint, cooperative efforts among institutions) which involve innovative modes of delivery of teaching programs in areas of critical need.

APPENDIX 1.2.5.2

1990-91 AND 1991-92 PROGRAM ADJUSTMENTS ENVELOPES

APPENDIX 1.2.5.2

TABLE 1: NOTIONAL PRO RATA DISTRIBUTIONS BASED ON 1989-90 BIUS -- 90% OF THE ENVELOPES (See Technical Appendix of attached letter for application and interpretation of data)

INSTITUTION:	1989-90 TOTAL BIUS (1)	%	FUNDS AVAILABLE FOR DISTRIBUTION THROUGH THE 1990-91 ENVELOPE: 90.181 m — Distributed in: 1990-91	1991-92	1992-93	1993-94	TOTAL	FUNDS AVAILABLE FOR DISTRIBUTION THROUGH THE 1991-92 ENVELOPE: 86.3 m — Distributed in: 1991-92	1992-93	1993-94	1994-95	TOTAL	TOTAL 2-ENVELOPE ALLOCATIONS
BROCK	10,986.113	2.6%	87,000	84,000	54,000	18,000	243,000	52,000	61,000	36,000	18,000	167,000	410,000
CARLETON	22,652.590	5.4%	180,000	173,000	110,000	37,000	500,000	108,000	125,000	73,000	37,000	343,000	843,000
GUELPH	23,309.225	5.6%	183,000	178,000	114,000	38,000	515,000	111,000	129,000	76,000	38,000	354,000	869,000
LAKEHEAD	6,787.321	1.6%	54,000	52,000	33,000	11,000	150,000	32,000	37,000	22,000	11,000	102,000	252,000
LAURENTIAN (2)	8,221.855	2.0%	65,000	63,000	40,000	13,000	181,000	39,000	45,000	27,000	13,000	124,000	305,000
ALGOMA	655.048	0.2%	5,000	5,000	3,000	1,000	14,000	3,000	4,000	2,000	1,000	10,000	24,000
NIPISSING	2,087.896	0.5%	17,000	16,000	10,000	3,000	46,000	10,000	11,000	7,000	3,000	31,000	77,000
NEARST	175.775	0.0%	1,000	1,000	1,000	0	3,000	1,000	1,000	1,000	0	3,000	6,000
MCMASTER	25,338.935	6.1%	202,000	196,000	124,000	42,000	564,000	121,000	141,000	83,000	42,000	387,000	951,000
OTTAWA	31,458.398	7.6%	251,000	242,000	154,000	51,000	698,000	151,000	175,000	103,000	51,000	480,000	1,178,000
QUEEN'S	28,539.465	6.9%	226,000	219,000	139,000	46,000	630,000	136,000	157,000	93,000	46,000	432,000	1,062,000
TORONTO	82,704.317	19.9%	656,000	633,000	403,000	134,000	1,826,000	394,000	456,000	268,000	134,000	1,252,000	3,078,000
TRENT	5,756.139	1.4%	46,000	44,000	28,000	9,000	127,000	27,000	32,000	19,000	9,000	87,000	214,000
WATERLOO	29,973.518	7.2%	238,000	229,000	146,000	49,000	662,000	143,000	165,000	97,000	49,000	454,000	1,116,000
WESTERN	40,048.133	9.6%	317,000	307,000	195,000	65,000	884,000	191,000	221,000	130,000	65,000	607,000	1,491,000
LAURIER	9,719.556	2.3%	77,000	74,000	47,000	16,000	214,000	46,000	54,000	31,000	16,000	147,000	361,000
WINDSOR	16,434.959	4.0%	130,000	126,000	80,000	27,000	363,000	78,000	91,000	53,000	27,000	249,000	612,000
YORK	46,593.487	11.2%	369,000	357,000	227,000	76,000	1,029,000	222,000	257,000	151,000	76,000	706,000	1,735,000
OISE	4,956.850	1.2%	39,000	38,000	24,000	8,000	109,000	24,000	27,000	16,000	8,000	75,000	184,000
RYERSON	16,864.079	4.1%	134,000	129,000	82,000	27,000	372,000	80,000	93,000	55,000	27,000	255,000	627,000
O.C.A.	2,296.148	0.6%	18,000	18,000	11,000	4,000	51,000	11,000	13,000	7,000	4,000	35,000	86,000
TOTAL	415,951.699	100.0%	3,297,000	3,184,000	2,025,000	675,000	9,181,000	1,980,000	2,295,000	1,350,000	675,000	6,300,000	15,481,000

Notes:
(1) These BIUs will form the basis for the notional pro rata distributions which will be revised only in the event of substantial changes to the 1989-90 BIU reporting.
(2) Pseudo campuses are included with the respective affiliates rather than under Laurentian University.

TABLE 2: COMPETITIVE FUNDS AVAILABLE TO SUPPORT SUPPLEMENTARY PROJECTS -- 10% OF THE ENVELOPES (plus funds not allocated from above)

INSTITUTION:	FUNDS AVAILABLE FOR DISTRIBUTION THROUGH THE 1990-91 ENVELOPE: 91.82 m — Distributed in: 1990-91	1991-92	1992-93	1993-94	TOTAL	FUNDS AVAILABLE FOR DISTRIBUTION THROUGH THE 1991-92 ENVELOPE: 90.7 m — Distributed in: 1991-92	1992-93	1993-94	1994-95	TOTAL	TOTAL 2-ENVELOPE ALLOCATIONS
TOTAL (competitive distribution)	366,000	354,000	225,000	75,000	1,020,000	220,000	255,000	150,000	75,000	700,000	1,720,000

APPENDIX 1.2.7

Note:

Commencing 1988-89, audit certification is required only for the Faculty Renewal Fund.

COUNCIL OF ONTARIO UNIVERSITIES
CONSEIL DES UNIVERSITÉS DE L'ONTARIO

130 ST. GEORGE STREET, SUITE 8039
TORONTO, ONTARIO M5S 2T4
(416) 979-2165

1987 05 01

Memorandum

To: Senior Members, Council of Finance Officers - Universities of Ontario

From: Research Associate (Finance)

Subject: UNIVERSITY EXCELLENCE FUND

As you know, the Deputy Minister of Colleges and Universities has indicated to universities that they "require audit certification from... external auditors" for University Excellence Funds. The Ministry has agreed that the "audited expenditure report be submitted at the object of expense level for each of the three Excellence Fund components." (letter of 3 October 1986, from the Deputy Minister of Colleges and Universities).

Please provide your auditors with copies of the attached forms. Once completed, they should be addressed to the Deputy Minister of Colleges and Universities. The complete "audit report should conform to Section 5805 (Special Reports) of the Canadian Institute of Chartered Accountants auditing recommendations including an attestation that the expenditures conform to the approval given to the university".

You will note that the objects of expense shown on the forms correspond to those to be employed by COFO-UO for the Financial Report of Ontario Universities 1986-87. The only exception is the deletion of those COFO-UO expense categories not eligible for UEF support.

For the Library Enhancement and Student Equipment fund, the distribution of expenses by functional area is necessary to permit the calculation of additionality, the amount of expenses which are "additional to those which the universities would normally expend for library reference materials and student equipment."

The Guidelines and Definitions which apply to the COFO-UO report should also be applied to the Report of UEF Expenditures and, most importantly, the financial information reported on UEF expenditures must correspond exactly with the financial information reported to COFO-UO for the Financial Report of Ontario Universities 1986-87. That is, the amounts shown for each object of expense on the attached forms must be included in the same expense objects on Tables 3 and 4 of your report to COFO-UO.

To ensure that no discrepancies arise, please submit a copy of your Report of UEF Expenditures to me as soon as it is available. Thank you for your assistance in this matter.

Best wishes

James A. McAllister

JAM:da
Encl.

c.c. Financial Officers of Algoma, Nipissing, Hearst and Dominicain.

REPORT OF UNIVERSITY EXCELLENCE FUND EXPENDITURES
FACULTY RENEWAL
FOR THE FISCAL YEAR ENDED 30 APRIL 1987
(In Thousands of Dollars)

Institution: _____

		Faculty Renewal
SOURCE OF REVENUE (Note 1)		
EXPENSES BY OBJECT (Note 2)		
1. Salaries & Wages		
(a) Academic Ranks	+	
(b) Other Instruction & Research	+	
(c) Other Salaries & Wages	+	
Total Salaries & Wages	=	
2. Employee Benefits	+	
Total Salaries & Benefits	=	
3. Library Acquisitions	+	
4. Equipment & Furniture (a) Purchase	+	
(b) Rental	+	
(c) Maintenance	+	
5. Operational Supplies & Expenses	+	
6. Utilities	+	
7. Renovations, Alterations & Repairs	+	
8. Externally Contracted Services	+	
9. Miscellaneous	+	
TOTAL EXPENSES	=	
CARRY FORWARD OF UNSPENT FUNDS	+	
TOTAL (Note 3)	=	

Note 1: This amount should be reported to COFO-UO on the Financial Reporting Form entitled Table 2, Revenue and Additions by Source and Type of Fund, in the Operating column (1) on line 03, Source 1.(a)(iii) Other MCU Grants.

Note 2: These amounts should be reported to COFO-UO on the Financial Reporting Form entitled Table 3, Expenses by Object and Type of Fund, in the Operating fund column (1).

Note 3: The TOTAL of this line must be identical with the Total of the first line, Source of Revenue.

Appendix 4.0

APPENDIX 4.0

Enrolment Audit

The Ministry of Colleges and Universities requires an audit of enrolment data for institutions eligible for support under the Ontario Formula for Operating Grants and under the Program of Support for Church-Related Universities and Colleges. The objective of the audit shall be to render an audit report in the prescribed form.

1. Responsibility of Auditors

Auditors are responsible for providing an opinion on institutions' enrolment reports to the Deputy Minister of Colleges and Universities in keeping with the spirit of Section 5805 of the CICA Handbook - Special Reports, explaining an audit opinion on financial information other than financial statements:

AUDITOR'S REPORT

TO: THE DEPUTY MINISTER OF COLLEGES AND UNIVERSITIES

At the request of (name of institution) we have examined the attached enrolment reports totalling (number) basic income units and formula fees of $(amount) for the academic year 19__/__ which have been submitted to us by the Ministry of Colleges and Universities. Our examination was made in accordance with generally accepted auditing standards, and accordingly included a general review of the records and procedures by which the above enrolment reports were prepared and such tests of the records of (name of institution) and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the attached enrolment reports present fairly the weighted enrolment and formula fees of (name of institution) for 19__/__ for funding purposes, in accordance with instructions issued by the Ministry of Colleges and Universities in the most recent edition of the "Ontario Operating Formula Manual", dated (month), 19__/__ and "Essential Notes and Reporting Instructions", dated (month), 19__/__ or through correspondence.

City_____ (Signed)_____
Auditor

Date_____

If the auditor is able to complete the audit report without qualification (because adequate assurance has been obtained from the audit work that the upper limit of errors throughout the enrolment reports does not exceed the materiality limit), it will not be necessary to disclose any known or projected errors to the Ministry; reporting requirements will, in these circumstances, be fully met by the submission of a signed audit report in the prescribed form.

If, on the other hand, based upon the results of the examination, the auditor is not able to complete the prescribed report without qualification(s) then he or she shall report these findings to the Deputy Minister of Colleges and Universities explaining fully the circumstances involved, and will await further direction as to how to proceed with the examination.

It is recognized that during the course of the examination the auditor may wish to seek clarification or direction in regard to such matters as ambiguities arising from applying the categorization scheme. Clarifications and interpretations of the formula for operating grants are the responsibility of the Ministry. If, therefore, the auditor wishes to consult, or to seek clarification or direction with respect to the examination, it should be done by writing to the Director, University Relations Branch, Ministry of Colleges and Universities.

The auditor of each reporting institution will provide the Deputy Minister of Colleges and Universities with the enrolment audit report by December 31 following the conclusion of the academic year concerned and will provide a copy of all correspondence in this connection to the President (or the equivalent) of the university or college concerned.

2. Responsibility of Institutions

Each university or college must formally advise the firm of public accountants retained by it that an audit of enrolment is a condition for payment of enrolment-related operating grants and that the required examination for this purpose has been authorized. A copy of this letter should be forwarded to the Ministry, where it will serve as authorization for direct communication with the auditors.

3. Responsibility of the Ministry of Colleges and Universities

The Ministry of Colleges and Universities will provide the following to the auditor of each institution:

3.1 A summary of enrolment data received from the

institution. (The auditor to confirm with the president and enrolment reporting officer their acceptance of it as a correct summary).

The enrolment data submitted will have been carefully reviewed and their arithmetical accuracy proven. Changes, if any, to the data submitted will have been noted and agreed to by the reporting institution.

3.2 An updated version of the "Ontario Operating Funds Distribution Manual".

3.3 An updated version of the "Essential Notes and Reporting Instructions".

4. Guidance for Auditors

Determination of appropriate procedures and the scope of the audit necessary to support an opinion is a responsibility of the auditor. In making this determination, the procedures selected will not be limited to, but should include, the following factors traditionally considered essential to any enrolment audit:

4.1 A general review of student records and related procedures to ensure their adequacy for satisfactory completion of the enrolment reports.

4.2 A choice of either statistical sampling or judgemental testing as the audit approach most appropriate in the circumstances.

4.2.1 Item 6 provides guidance with respect to statistical sampling techniques as applied to the audit of enrolment. The Ministry has prescribed a sampling confidence level of 95% and a materiality limit of 2% (with respect to the upper limit of net overstatements). That is, the statistical results yielded by a random sample must be such as to give the auditor at least 95% confidence that the total BIU's reported on the year's enrolment reports are not overstated by a net amount of more than 2%.

4.2.2 If, instead, judgemental testing procedures are used, the auditor should be satisfied that the audit tests of BIU records provide evidence at least equivalent to that required for an unqualified opinion where statistical sampling techniques are used.

4.3 The audit should highlight any areas of ambiguity encountered in applying the formula categorization scheme or the rules for determining eligibility for funding of programs or students and obtain a satisfactory authority

reference for the manner in which the institution has dealt with situations not explicitly provided for in the "Ontario Operating Funds Distribution Manual".

4.4 The audit should include an examination of the reasons for changes between enrolment as reported and as approved by the Ministry of Colleges and Universities. Procedural weaknesses should be noted so that the institution may take appropriate action to prevent their recurrence.

4.5 The audit should satisfactorily reconcile total fees computed, using reported enrolment data and the fee schedule of the institution, with academic fees as reported in the audited financial statements.

4.6 The auditor should obtain, in the prescribed form (see item 5), a certificate from the institution's registrar, attesting that (except as noted) enrolments in all programs of study offered fall within the formula categories under which they have been included. In addition, this certificate will declare that all enrolment reported is eligible for purposes of determining grant assistance except as noted in the certificate.

4.7 Three areas requiring special audit procedures are:

- formula units at the graduate level,
- study abroad courses and programs,
- foreign student formula fees.

4.7.1 Item 7.1, entitled "Counting of Graduate Student Audit Implications" (of the methods/procedures for establishing formula entitlements at the graduate level) lists some possible audit tests applicable to formula units at the graduate level. Item 7.2 is a certification of graduate student status and eligibility for formula operating grant support (to be used for "verifying" some of the less auditable criteria).

4.7.2 Item 8 summarizes the information an auditor would need in order to verify the eligibility for formula funding of a student on a study abroad course or program. Institutions are required to keep on file a completed copy of this form, signed by a dean and the registrar (or their equivalents), for every study abroad course or program offered by the institution.

4.7.3 Item 9 outlines the procedures to be used by insti tutions and their auditors to identify foreign students for purposes of applying the foreign student fee policy and to determine conformity of institutional practice with this policy.

5. Registrar's Certification

(UNIVERSITY LETTERHEAD)

Registrar's Certification in Connection with Audit of Enrolment

TO: (Name of Auditor)
(Institution) (Session)

Dear Sir:

In connection with your examination of the enrolment reports for (session) submitted to the Ministry of Colleges and Universities and the records from which these have been prepared I hereby certify that to the best of my knowledge and belief:

1. That all records have been maintained in a manner consistent with the internal university procedures established for the compilation of enrolment data and that the figures shown on the enrolment reports agree with these records.

2. That there is explicit authority for inclusion of enrolments in all programs of study offered by the university within the formula categories under which they have been reported, except as noted below.

3. That all students ineligible for support under the provisions of the Ontario formula for operating grants have been excluded in determining the operating grant which has been paid.

   The numbers of such students and the programs of study in which they are enroled are as noted below.

4. That all relevant instructions and provisions applicable to the completion of the enrolment reports and the determination of the operating grants have been correctly followed.

Yours truly,

_____

_____
Title

To be signed by the Registrar (or such other university official as is responsible for completion of MCU Enrolment reports).

1. Statistical Sampling

Extracts from a letter dated October 18, 1972 from Clarkson, Gordon & Co. to Mr. F. J. Kidd, on the subject of the application of statistical sampling techniques to enrolment auditing follow.

6.1 Background

An auditor does not and cannot "certify to the accuracy" of figures in a financial statement (or enrolment report) first because the accounting principles governing its preparation always require judgement in application and second because it is usually completely impractical for the auditor to check 100% of the underlying transactions. Instead, the auditor bases his examination on tests guided by analyses of the figures, internal reconciliation of balances, review of internal control, and so on and then reports, if appropriate, that "in his/her opinion" the financial statement (or enrolment report) "presents fairly" the financial position or other information required (such as the "weighted enrolment").

The words "in his/her opinion" imply that the auditor cannot provide 100% certainty but rather a reasonable degree of confidence as a result of the audit work. The words "present fairly" imply that the auditor cannot report that the financial statement (or enrolment report) is accurate to the cent but rather that (subject to the reasonable degree of confidence mentioned above) it is not misstated by a material amount. Any audit therefore implies a choice of confidence level and materiality limit. Such choices are made implicitly when an auditor employs judgemental testing procedures. (The auditor intuitively decides how much he/she must test to be reasonably sure of detecting a material error if present). When an auditor employs statistical sampling procedures, however, the choice of confidence level and materiality limit (which in turn determine sample size) must be made explicit.

The Ministry has stated that for the purposes of the enrolment audit the university auditor may employ either statistical sampling techniques or judgemental testing procedures. Where the nature of the enrolment records, however, permits the application of statistical sampling techniques most university auditors will wish to consider such application seriously because of the benefits of greater objectivity to be derived therefrom. The following material is intended to indicate a method of applying such techniques.

6.2 Prescription of Confidence Level and Materiality Limit

The Ministry has prescribed a sampling confidence level of 95% and a materiality limit of 2% (with respect to the upper limit of net overstatements) where the university auditor employs statistical sampling procedures in arriving at an opinion on the reported "weighted enrolment".

6.3 Statistical sampling of BIUs

There are various different components of a complete enrolment audit: studying the system of internal control, reconciling reported academic fees to reported enrolment, sampling records of 'basic income units' (BIUs) to verify 'weighted enrolment' reflected in the year's enrolment reports, etc. The following material, however, addresses itself exclusively to the statistical sampling of BIU records to verify the year's enrolment reports.

What is required is a statistical sample of BIU records that will yield 95% sampling confidence that total BIUs reported on the year's enrolment reports have not been overstated by more than 2%.[1]

Since the objective of the audit test is to assess the frequency of net overstatements in total reported BIUs, the direction of the audit test must clearly be from the reported BIUs back to underlying enrolment records.

The first question is whether the auditor should select a random sample of students or a random sample of BIUs (in the former case every student would have an equal chance of selection while in the latter case every BIU would have an equal chance of selection). If the former method is chosen the auditor will be able to arrive at a statistical conclusion that X% of the student records may contain BIU overstatements. The auditor will not, however, be able to convert this conclusion into a rigorous statistical conclusion with respect to total BIUs themselves.

If the X% of overstated student records were or might be

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[1] With respect to the specific prescribed guidelines of 95% confidence and 2% upper error limit, the Ministry's prescription requires only that these be applied to net overstatements. When, however, the auditor expresses an opinion that the "enrolment reports present fairly the weighted enrolment" he/she will normally want to be satisfied in any event that there is reasonable confidence that neither a material overstatement error nor a material overstatement exists. The procedures described in this appendix should usually be adequate to give such reasonable assurance with respect to understatements as well as overstatements.

mostly graduate students, then total BIUs might well be overstated by far more than X% (since each graduate student overstatement might be an overstatement of several BIUs). It is possible that additional judgemental testing (particularly among graduate records) may still permit the auditor in such a case to arrive at a reasonable judgemental conclusion. Nonetheless, it is desirable, where feasible, to obtain a statistical conclusion directly relating to reported BIUs and this can be done by drawing a statistical sample of BIUs.

The first point is, therefore, that it is desirable for the auditor to draw a random sample of BIUs; that is, every BIU among the total reported BIUs should have an equal chance of selection in the audit sample.

Such a procedure will, for example, give somewhat more chance of selection to graduate students than to undergraduates but this is appropriate since, in terms of BIUs, each of the former has a greater potential for overstatement than each of the latter.

6.4 Mechanics of Drawing a Statistical Sample of BIUs

Pure random sampling involves making a new random draw on each selection. A far less cumbersome procedure, however, is to use 'systematic' or 'interval' sampling whereby the auditor selects every nth BIU throughout the population. This requires two things:

6.4.1 that the auditor can identify a set of BIU records (the 'population') that has been added (or will be added) and agreed (or will agree) in total to the total BIUs reported on the year's enrolment reports, and

6.4.2 that the auditor can by some method count through this population of BIUs in order to select every nth one.[2]

For example, if the total population amounts to 4,000 BIUs and the auditor has estimated that he will need a sample of 400 BIUs (sample size determination is discussed below) he

---

[2] The mechanics of selecting every nth BIU are complicated if the BIU weights are applied manually at a summary level and are not readily available at a detail level. In some cases, this problem can be solved by stratifying the population into groups, students within each group having identical BIU weights. In a computerized system, however, these problems are not as great.

would want to select every 10th BIU throughout the entire population. The counting through the population to pick every 10th BIU may be able to be done manually (if the BIU records exist on visible accounting reports) or by computer (if the BIU records exist on computer files).

There is a risk that 'interval sampling' may contain a bias (if there is any periodicity or clustering in the pattern of errors throughout the population). For this reason, it is desirable for the auditor to use either 'randomly varying intervals' (the better method) or 'fixed intervals following several random starts'.

With the preferable method of 'randomly varying intervals' the auditor would use a stream of random intervals (obtained either from random number tables or a computer program) averaging to the desired average interval. For example, in the case above, if the auditor wishes 400 selections out of 4,000 BIUs he needs to select at an average interval of 10, but the specific intervals would vary randomly above and below 10 (e.g. he might count along 7 for the 1st selection point, another 15 for the 2nd, and so on). One method of obtaining varying intervals averaging to 10, for example, is to pick random numbers between 1 and 20 (twice the desired average interval), which, if enough are selected, will be bound to average to close to 10.

If, however, the auditor uses fixed intervals, he should take several random starts. One method (still using the above example) is to pick 3 random starts each between 1 and 30 at the very beginning of the population and then fixed intervals of 30 after each of these starts (producing in total a random start between 1 and 10 at the beginning of the population and then fixed intervals of 30 after each of these starts (producing in total about 400 selections). Another method is to pick a random start between 1 and 10 at the beginning of each third (or smaller division) of the population followed by fixed intervals of 10 thereafter throughout that division of the population. These methods are generally considered acceptable but the method of varying intervals described in the previous paragraph is to be preferred.

6.5 Evaluation of a Statistical Sample of BIUs

The evaluation of statistical samples will now be discussed and, following that, the planning of required sample size.

Suppose, temporarily, that a university consisted solely of students having 1 BIU each and that the only errors discovered by the auditor were instances where the student

should not have been included at all (i.e. each discovered error represented a 1 BIU overstatement).

Statistical attribute sampling tables for 95% confidence (the confidence level prescribed by the Ministry) indicate the following:

For 95% confidence,[3]

Number of Errors Found In Sample	'Upper Error Limit Factor'
0	3.00
1	4.75
2	6.30
3	7.76
4	9.16
.	.
.	.
.	.

where:

$$\text{'upper error limit' frequency} = \frac{\text{'upper error limit' factor}}{\text{sample size}}$$

For example,

if 0 errors were found in a sample of 100,

$$\text{U.E.L.} = \frac{3.00}{100} = 3.00\%$$

if 1 error was found in a sample of 100,

$$\text{U.E.L.} = \frac{4.75}{100} = 4.75\%$$

if 3 errors were found in a sample of 400,

$$\text{U.E.L.} = \frac{7.76}{} = 1.94\%$$

---

[3] This table is based on Poisson tables, and represents a slightly conservative (i.e., safe) approximation to binomial tables (the rigorous values for attribute sampling from large populations). Additional conservatism arises when these values are used for very small populations (e.g., when 20% of the population has been covered in the sample) but the amount of this additional conservatism (from ignoring the "finite population correction" factor) is slight. In any case, since both the above approximations are conservative, the values are safe for the auditor to use (i.e., if anything they will yield conclusions slightly more pessimistic than those the auditor is really entitled to as a result of sampling).

6.6 Evaluation for Varying Error Sizes

In practice, of course, a university does not consist solely of students having 1 BIU each but rather some having 1, some 4, some 2.5, etc. Suppose that, in drawing the statistical sample of BIUs, one particular BIU selected happens to fall within a student enrolment record for 4 BIUs. Of course, the auditor cannot verify merely the 1 BIU selected but rather must verify the whole student enrolment record of 4 BIUs. If this whole student record proves to be correct, then obviously the selected BIU therein must be correct too (and accordingly no sample error should be scored for this item).

On the other hand, if the whole student record proves to be fictitious then obviously the selected BIU therein is 100% fictitious too (and accordingly a sample error of one 100% fictitious BIU should be scored). If all selected BIUs turned out to be completely right or completely wrong then the table values above could always be used to project the 'upper error limit' of completely fictitious BIUs throughout the population (and this would represent the 'upper error limit' of overstatement in total reported BIUs).

However, in the above example, the auditor may find that the student enrolment record of 4 BIUs should properly have been recorded as 2 BIUs. In this case, the student enrolment record has been overstated by 50% of its reported value. It is logical then to consider each of the 4 reported BIUs (including the one selected BIU therein) as being "tainted" by a 50% overstatement error. In such a case, then, a sample error of one 50% overstated BIU should be scored.

6.7 Tainting Percentages Under 100%

How is such a 50% overstated BIU discovered as the only error, say, in sample of 100, to be projected? Referring to the previous table, a sample of 100 containing 1 error had a UEL of 4.75%. It follows, in a sample of 100 containing no 100% errors and one 50% error, that 100% errors (0 found in sample) have a UEL of 3.00%, while 100% and 50% errors together (1 found in sample) have a UEL of 4.75%. It can be readily shown that the most conservative way of combining these two rigorous statistical conclusions is to attribute a 3.00% possible frequency to 100% errors and the remaining 1.75% possible frequency to 50% errors.

The net UEL would therefore be computed as follows:

Errors Found	UEL Tainting %		Incremental Factor		Product	Sample Size	Net UEL
0	100%	x	3.00	=	3.00		
1st	50%	x	1.75 / 4.75	=	.88 / 3.88	- 100	= 3.88%

To permit such computation to be done when several different errors are found, a table of UEL incremental factors is desirable as follows:

For 95% confidence,[4]

Errors found in sample, ranked in declining tainting percentages	'Upper error limit' incremental factor
	3.00
1st	1.75
2nd	1.55
3rd	1.46
4th	1.40
5th	1.36
6th	1.33
7th	1.30
8th	1.29
9th	1.27
10th	1.26
11th	1.24
12th	1.24
13th	1.22
14th	1.22
15th	1.21

[4] This table represents merely the increments between successive values shown in the previous table. The derivation of the values is subject to the same technical note as Footnote 3.

The above method of evaluation by ranking tainting percentages is supported by Dr. Albert Teitlebaum of McGill University and also corresponds (except for differences in terminology) with that outlined in Chapter V of the Research Study, "Statistical Sampling in a Audit Context", published in March 1972 by the Canadian Institute of Chartered Accountants. It is possible to eliminate some of the conservatism inherent in this method by the use of a computer program, but such a refinement is usually not significant enough to be worthwhile.

where:

'upper error limit' frequency value =

$$\frac{1}{\text{sample size}} \times 3.00 \times 100\%$$

+ 1.75 tainting % for 1st error
+ 1.55 tainting % for 2nd error
+ etc.

and where:

tainting % of an error =

$$\frac{\text{amount of error (in BIUs)}}{\text{reported BIUs for that student record}} \times 100\%$$

For conservatism, it is necessary to rank the errors in order of declining tainting % (as indicated above) since the UEL incremental factors are larger for the early errors. Note that the zero line is always scored at 3.00 x 100% since, even if no 100% errors are found in the sample, overstatement errors as large as 100% each (though no larger) could exist in the population.

6.8 Offsetting Overstatements and Understatements

The above procedures should be applied solely to errors of overstatement discovered in the audit sample. The logic is that individual errors of understatement cannot possibly aggravate any total overstatement and therefore in projecting individual errors of overstatement it is perfectly safe for the auditor simply to ignore any individual errors of understatement. If the gross UEL overstatements projected on the foregoing basis amounts to 2% or less then the auditor is in a position to give an unqualified opinion without consideration of the possible offsetting effect of any understatements.

Cases may arise, however, where the gross UEL of overstatements exceeds the 2% limit and yet it is most unlikely that the net overstatement could be this high because of the offsetting effect of understatement errors. I can be shown statistically that it is proper to deduct from the gross UEL of overstatement errors the MLE ('most likely error' rate)

of understatement errors.[5]

The 'most likely error' of understatement (to be deducted above) is equal to the sum of the tainting percentages of individual understatement errors discovered in the audit sample divided by the sample size.

6.9 Summary of Evaluation Procedure

The above procedures can be summarized as follows:

6.9.1 After the BIU selection points have been identified throughout the population of reported BIUs, verify the student record in which selected BIU falls.

6.9.2 For each selected BIU determine a tainting % as follows:

$$\text{Tainting \%} = \frac{\text{amount of error (in BIUs)}}{\text{Reported BIUs for that student record}} \times 100\%$$

6.9.3 Rank the overstatement errors in order of declining tainting % and compute the gross UEL of overstatements as follows:

$$\text{Gross UEL of overstatements} = \frac{1}{\text{sample size}} \times 3.00 \times 100\%$$

$$+ \quad 1.75 \times \text{tainting \% for 1st error}$$
$$+ \quad 1.55 \times \text{tainting \% for 2nd error}$$
$$+ \quad \text{etc.}$$

6.9.4 Compute the most likely error of understatement as follows:

$$\text{MLE of understatement} = \frac{1}{\text{sample size}}$$

---

[5] For 95% confidence, this statement is rigorous for populations consisting of up to 3.6% overstatements offset by 1.6% understatements. Even for 6% overstatements offset by 4% understatements, the slight inaccuracy of the statement is not large enough to be of material consequence. Auditors should, however, avoid using the offsetting benefit of understatements when gross projected errors in both directions are each several times the 2% materiality limit.

x tainting % for 1st error
\+ tainting % for 2nd error
\+ etc.

6.9.5 Compute upper error limit of net overstatement as follows:

Net UEL of overstatements =
Gross MEL of overstatements -
MLE of understatements

6.9.6 Compare the net error limit of overstatments to the 2% materiality limit prescribed by the Ministry.

6.9.7 If the next UEL of overstatement is 2% or less, the auditor is in a position to give an unqualified opinion as far as this portion of the audit is concerned (although, of course, the results of other audit work such as the review of internal control, the reconciliation of academic fees, etc., must be assessed judgementally as well).

6.9.8 If, on the other hand, the net UEL of overstatement exceeds 2%, the auditor is not in a position to give an unqualified opinion. He should then consider the desirability of extending his sample size (this is discussed below). If, however, it seems clear that no amount of sample extension will lead to an unqualified opinion then he must report his findings to the Ministry.

6.10 Suggested Audit Working Paper

The audit working paper form (following page) can be used to record the statistical evaluation according to the foregoing procedures and contains an example to illustrate its use. In the example illustrated, the auditor discovered four overstatement errors and two understatement errors in the sample of 300 BIUs. The 'most likely' errors are 0.83% overstatements and 0.50% understatements, for a net 'most likely error' of 0.33% overstatements. The university records are probably overstated by only this small 0.33% rate. However, they might, subject to 95% confidence, be overstated by a net amount of as much as 1.83% (the net UEL of overstatement). Since this net UEL does not exceed the prescribed materiality limit of 2%, the auditor (subject to the completion and assessment of the other audit work: internal control review,

6.10.1 Illustration of Enrolment Audit Working Paper to Evaluate Statistical Sample of Basic Income Units (BIUs)

Identification No. of Student Found To Contain BIU Errors A	BIU As Reported B	BIU Should Be C	Amount Under-stated D	Amount Over-stated E	Under-statement Tainting % D/B * 100 F	Over-statement Tainting % E/B * 100 G	Rank of Over-statement Error (G) (In Declining Tainting %) H	UEL Incremental Factor For This Rank of Error (per below) I	Tainting % * UEL Incremental Factor (G * I) J
-	-	-	-	-	-	-	0	3.00	3.00
A 423	4	3	-	1	-	25%	4	1.40	0.35
F 218	2	3	1	-	50%	-	-	-	-
L 106	1	0	-	1	-	100%	1	1.75	1.75
M 247	3	1.5	-	1.5	-	50%	3	1.46	0.73
R 351	1	2	1	-	100%	-	-	-	-
S 067	4	1	-	3	-	75%	2	1.55	1.16
				Totals	150%	250%			6.99

(Divided By) (Divided By) (Divided By)

300 ← 300 ← SAMPLE SIZE → 300

= Understatement = Overstatement =

V V V

MLE (Most Likely Error): 0.50% → 0.50%

0.83%

Net MLE of Overstatement: 0.33%

Gross UEL of Overstatement: 2.33%

Less MLE of Understatement: -0.50%

Net UEL, Overstatement: 1.83%

Compare to * Prescribed Materiality Limit: 2.00%

Table of Factors for 95% Confidence

Errors Found in Sample (Ranked In Declining Tainting %)	'Upper Error Limit' Incremental Factor
0	3.00
1st	1.75
2nd	1.55
3rd	1.46
4th	1.40
5th	1.36
6th	1.33
7th	1.30
8th	1.29
9th	1.27
10th	1.26
11th	1.24
12th	1.24
13th	1.22
14th	1.22
15th	1.21

*If net UEL of overstatement exceeds the materiality limit, the auditor must either:
(a) extend sample size and re-evaluate, or
(b) report why unqualified opinion is impossible.

academic fee reconciliation, etc.) is in a position to give an unqualified opinion. Had the net UEL, on the other hand, exceeded the 2% limit, the auditor would have had to consider the possibility of sample extension.

6.11 Sample Extension

Suppose that in the foregoing example the auditor's sample of 300 had instead contained three 100% overstatement errors and no understatement errors. The statistical evaluation in this case would have worked out to the following:

MLE of overstatement: $\frac{300\%}{300} = 1\%$

UEL of overstatement: $\frac{7.76}{300} = 2.59\%$

Here the situation is that while the overstatement of reported BIUs is probably only 1% (which would be acceptable) it might, subject to 95% confidence, be as high as 2.59% (which is unacceptable). Based on the audit work done to date the audit is not in a position to give an unqualified opinion. On the other hand, there is a reasonable indication that the population error is not material (i.e. not as high as 2%) and that a larger sample size will be able to prove this. In such a situation the auditor should extend his sample size by drawing additional items from the population.

Suppose the auditor draws an additional 300 BIUs and finds a further three 100% overstatement errors therein (the same error frequency as in the initial sample). The auditor now has a total sample of 600 BIUs containing six 100% overstatement errors. It is appropriate to evaluate this expanded sample of 600 in exactly the same way as already described. The statistical evaluation of the 600 sample would work out to the following:

MLE of overstatement: $\frac{600\%}{600} = 1\%$

UEL of overstatement: $\frac{11.85}{600} = 1.98\%$

It might be noted that the MLE of 1% has not changed but the UEL has been reduced from 2.59% to 1.98% and

is now acceptable (as being less than the prescribed 2% materiality limit). Based on the expanded audit work now completed, the auditor is in a position to give an unqualified opinion (always subject to completion and assessment of other audit work: internal control review, academic fee reconciliation, etc.).

In general, extending the sample size should not be counted on to change the MLE (though in any particular case it may in fact change it either up or down) but it can be counted on to reduce the precision gap between the MLE and the UEL, and thus usually to reduce the UEL. A greater amount of audit work permits a more precise answer and so the precision gap between the MLE and the UEL is narrowed.

The UEL will of course always exceed the MLE (there will always be some precision gap however large the sample size). Therefore, if in the auditor's preliminary sample of 300 he/she had discovered seven 100% overstatement errors - for a MLE of 2.3% and a UEL of 4.4% -there is no point in the auditor extending the sample size. The MLE projected from any extended sample is likely to remain in the neighbourhood of 2.3% and the UEL will be even higher than this. There is therefore little prospect of bringing the UEL down to 2% and thereby obtaining an acceptable conclusion. Indeed, if the initial work indicates that a material error (over 2%) probably does exist and it is unlikely that extended work will provide 95% confidence that a 2% error does not exist, the auditor should not extend the sample but proceed immediately to report to the Ministry.

6.12 Guide as to Sample Extension

The following table can be used as a guide in deciding to what extent an initial sample should be extended (if any extension is appropriate at all).

For 95% confidence[6]

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[6] This table is constructed from the previous tables to show what sample size and error combinations yield a 2% UEL.

Technically, the values shown are only rigorous for one-stage samples. Where a one-stage sample of 590 is found to contain 6 errors there is 95% confidence with respect to a 2% UEL. Where a sample of 590 however, is drawn in two stages (say, 240 first plus a further 350 later) with a possibility of stopping at the end of the first stage (in this case if only 1 error has been found in the first 240), it can be shown statistically that there is a slight fall-off in confidence level (in the range of a

Sample Size	Number of 100% over-statement errors found sample (assuming no understatements errors found	MLE (=sample) error rate	UEL
150	0	0.00%	2%
240	1	0.42	2
320	2	0.64	2
390	3	0.78	2
460	4	0.88	2
520	5	0.94	2
590	6	1.02	2
660	7	1.06	2
720	8	1.10	2
790	9	1.14	2
850	10	1.18	2

To use the previous example, if the auditor had found a 1% sample error rate in an initial sample of 300 (say, three 100% errors), it would be reasonable to extend his sample size to 590 (or about 600) since the above table shows that if the 1% sample error rate continues the same when he extends his sample (which is the most likely event) then a sample of 590 is needed before a sample error rate as high as 1% yields a UEL of the desired 2%.

The above table can only, however, be an approximate guide because:

(a) the table is only in terms of 100% errors

- this gives the worst situation
- the situation is not as bad if an equivalanet value of smaller errors if found instead
- for example, in a sample of 100, one 100% error yields an MLE of 1% and a UEL of 4.75% but two 50% errors yield an MLE of 1% and a UEL of only 4.65%

---

few percentage points). That is, if 6 errors are found in total in the two-stage sample of 590, there is not quite 95% confidence with respect to a 2% UEL as indicated above. However, it can be shown that in the range of sample extensions likely to be employed by auditors, such fall-off is slight. Considering the judgemental nature of a choice of 95% confidence in the first place, and the complexisties of the statistical refinements necessary to obtain a perfectly rigorous answer, this slight statistical inaccuracy should not be considered of significance.

(b) the table is only in terms of overstatement errors

- the situation is slightly worse if the equivalent net value of sample errors is made up instead of offsetting overstatements and understatements

- for example, in a sample of 100, one 1% overstatement sample error frequency made up of 2% overstatement offset by 1% under-statements yields a net UEL of 5.30%.

Nonetheless, use of this table will give a general indication of the extent to which the sample size should probably be increased. Of course, if the sample error rate found in the initial sample is, say 1.6%, it may be uneconomical to increase the sample (since a total sample of well over 1,000 items would be required) and a report under Item 1, paragraph 3 may be preferable.

Note that when a sample is extended the results of the initial sample must not be discarded but rather incorporated into the total cumulative sample. The cumulative sample (initial stage plus extension) must then be re-evaluated using the same procedures as outlined previously.

If a sample is extended from, say 400 to 600, it is also important that the additional 200 selection points be drawn randomly out of the whole population. The mechanics of drawing the additional 200 items are the same as for the first 400 (except of course, a different average sampling interval is involved). In fact, if there appears to be a reasonable possibility that sample extension may be required, the full 600 points can be identified in the first place (to avoid the need to go back and count through the population of BIUs a second time). In such a case, the initial sample of 400 would be randomly selected out of the 600 identified selection points (perhaps by omitting every third one), the initial sample of 400 verified, and the additional 200 selection points only examined should the initial sample of 400 prove unacceptable.

6.13 Planning the Initial Sample Size

The same table presented above as a guide for sample extension can also be used for planning the initial sample size. Referring to this table, it is clear that the initial sample must be no less that 150 items (since a sample of 150 items barely yields a 2% UEL if no sample errors are found). It would, however, generally be imprudent to choose an initial sample size as low as 150

since at this size the discovery of even one error however small, will render the conclusions unacceptable and necessitate sample extension.

Previous years' audit results will obviously be the best guide. For example, if past sample error rates have varied between 0 and 0.6% a sample size of about 300 would seem a prudent choice. Of course, there is always the chance that the current year results may turn out worse and the 300 prove inadequate. In such a case however, the auditor can proceed to extend his sample size (rather than examining an excessive sample size to start with).

It should be stressed that while estimating the required sample size is always an uncertain business (involving, as it does, the anticipation of what sample error rate may be encountered), this uncertainty does not attach to the final statistical evaluation. Once a sample has been chosen, verified and the sample error rate determined, an objective statistical conclusion can be drawn based on the evaluation procedures described earlier.

6.14 Summary of BIU Statistical Sampling Steps

The above procedures for conducting a statistical sample of BIU records can be summarized as follows:

6.14.1 Based on prior years' observed error frequencies (or any indications of the current year's frequency) choose an adequate sample size (greater than 150) by reference to the sample extension guide.

For example, if prior years' observed error frequencies have been in the range of 0 to 0.6%, an initial sample size of about 300 would usually be a prudent choice.

6.14.2 If there is a reasonable possibility that subsequent sample extension might prove necessary, choose (by reference to the guide) a gross sample size larger than in 6.14.1. Determine all the gross sample selection points counting through the BIU population either manually or by computer (see above discussion on sampling mechanics). Select the initial sample (6.14.1) out of the gross sample selection points (e.g. by selecting every other one, or every third, etc.).

6.14.3 Verify the initial sample and determine the tainting percentages of any individual errors of overstatement or understatement discovered

therein.

6.14.4 Compute the statistical conclusion arising from the initial sample results by completing the working paper form on as shown in item 6.10. Compare the net 'upper error limit' of overstatement to the prescribed 2% materiality limit.

6.14.5 If the net UEL of overstatement does not exceed 2% the auditor is in a position to give an unqualified opinion (subject to the completion and assessment of other audit work: internal control review, academic fee reconciliation, etc.).

6.14.6 If the net UEL of overstatement exceeds 2% but the net MLE of overstatement is significantly less than 2% (say, not much in excess of 1%) then there is every indication that an acceptable conclusion will be able to be reached through sample extension. Based on the sample error rate observed in the initial sample, and by reference to the sample extension guide, choose the extended sample size likely to be required.

6.14.7 Select additional sample items randomly (either from the population directly or from the additional gross sample selection points already held in reserve in 6.14.2) to increase the cumulative sample size up to the extended size chosen in 6.14.6. Verify these additional sample items. Re-evaluate the whole extended sample by re-completing the working paper form. Compare the new net 'upper error limit' of overstatement to the prescribed 2% materiality limit. The process of sample extension can be continued in this manner until an acceptable conclusion is reached or until it becomes evident that no acceptable conclusion is possible.

6.14.8 Where the MLE of overstatement (of either the initial or extended sample) exceeds 2% or where it is only slightly under 2% (e.g., 1.6%, 1.8%, etc.) it is unlikely that any acceptable conclusion will be able to be reached through sample extension (or further sample extension). The auditor should therefore report his findings in such a case to the Ministry as called for in item 1, paragraph 3.

6.15 Investigation of the Nature of Errors Discovered

This subsection has been directed exclusively to the drawing of a statistical conclusion based on the frequency of errors observed in a sample of BIUs. None of the statistical work should, however, limit the auditor from evaluating judgementally any other evidence available from the audit work. In particular, it is desirable that the auditor investigate the nature of any errors discovered in his audit sample. If any errors discovered in the sample appear to be systematic in nature, the auditor may well wish to perform additional judgemental audit steps to assess the likely extent of such systematic errors, over and above his statistical sample projections of upper error limits.

6.16 Combination with Other Audit Conclusions

The statistical projections described in this subsection relate to the projection of a possible error frequency among the population of BIU records and the comparison of this upper error limit with the 2% materiality guideline. Of course, if other known errors are discovered outside the BIU records being subjected to sampling, the effect of these known errors should be added to the statistical 'upper error limits' and the total compared to the 2% materiality guideline. For example, if an overstating addition error of 0.5% was discovered in the summarization of the total BIU figure reported on the enrolment reports and, on top of this, the statistical upper error limit for overstatements among the individual BIU records was 1.9%, the total combined 'upper error limit' would be 2.4% (and hence unacceptable without further work).

6.17 Other Considerations

A number of other considerations may well arise in the conduct of any particular enrolment audit. For example, in some universities the net 'weighted enrolment' is reduced by certain cost-sharing percentages related to affiliated colleges. These cost-sharing percentages are themselves subject to audit and such audit may likewise be performed using statistical sampling procedures. In the latter case it is desirable that the statistical conclusions regarding the gross reported BIU's and the statistical conclusions regarding the cost-sharing percentages be combined before comparison with the prescribed 2% materiality limit.

A discussion of this and other considerations is, however, beyond the scope of this subsection. The auditor who has

had some training in statistical sampling techniques will be able to resolve such matters when they are encountered.

7.1 COUNTING OF GRADUATE STUDENTS - EXAMPLES SHOWING AUDIT IMPLICATIONS

Reference in Formula Manual	Evidence Required	Possible Audit Test Procedures
4.4.1 (1)	Student has an honours undergraduate degree or equivalent	Examine transcript of other documentary evidence
4.2.6	Program of studies meets requirements of Q.C.G.S. appraisals procedure	Where applicable, examine evidence of successful program appraisal
4.4.1 (2)	Student is making substantial demands on resources of the university	Obtain certificate (see form - item 7.2)
4.2.11	No units have been claimed for students registered but inactive	" " " " " "
4.4.2 (4)	Student claimed as full-time geographically available and visits campus regularly	" " " " " "
4.4.2 (6)	Student's employment, if any, does not involve more than 10 hours per week	" " " " " "
4.4.2 (5)	Student has not been employed outside the university except by supervisor's permission	" " " " " "
4.4.2 (2)	Student identifies himself as a full-time graduate student	This should be verified by reference to student records (statement of intent, etc.)
4.6	Minima and maxima provisions have been adhered to	(a) Examine, on a test basis, units claimed during the academic year under these provisions (b) Assess the adequacy of records and procedures for the correct determination of these claims
General	Adequate records and procedures have been established for the counting of graduate students for entitlement purposes	Review of internal control

7.2 COUNTING OF GRADUATE STUDENTS - CERTIFICATION

CERTIFICATION OF GRADUATE STUDENT STATUS AND ELIGIBILITY FOR FORMULA OPERATING GRANT SUPPORT

To: (Name of Auditors) _____Term of 19___ 19___ Session _____

Name of Student _____

Claimed for Support: _____ Program of Study: _____

Status reported: Full-time ____ Part-time ____

		Yes	No
(i)	This student made substantial demands upon the resources of the university (i.e., either the student was registered in a regular course of study or was actively engaged in writing a dissertation under continuing supervison).	___	___
(ii)	For students accorded full-time status:		
	(a) Apart from approved absence (see item b) was student geographically available and did he visit the campus regularly?	___	___
	(b) If the student was absent from the university for a period exceeding four weeks, was such absence approved as required?	___	___
	(c) Was it satisfactorily established that the employment restrictions in regard to the student being claimed for entitlement was complied with?	___	___

8. STUDY ABROAD PROGRAMS AND COURSES

(To be submitted for audit purposes
by responsible Deans to Registrar)

1. University offering program/course _____
   Fiscal Year_____

2. Name of program/course _____

3. Category: _____ Study abroad program
   _____ Study abroad course
   _____ Exchange program (under formal agreement)

4. When recognized by Senate for credit? _____ Ref: _____

5. Designed as an integral part of what degree program?
   _____

6. Program level (year of study): _____

7. Length of program/course (in weeks): ____ From ___ To___

8. What is the duration of the program/course in student contact hours?

   Is this at least equal to the contact hours for comparable programs/courses (specified below) offered on campus in Ontario during the same sessions? _____ Yes _____ No

9. Courses offered abroad: _____ _____
   (Course Name) (Number)

10. Location offered (country/city): _____

11. In what year was this program/course started? _____

12. If started before 1981, was MCU approval for fomula funding obtained? _____

13. Briefly explain why a foreign locale is essential for this program/course. _____

14. If this is an exchange program under the terms of a formal exchange agreement give:

    (a) Name and date of agreement: _____

8. STUDY ABROAD....(CONTINUED)

(b) A brief discription of its terms:

(c) Name of (each) other participating university:

(d) Number of foreign students in Canada on this exchange (append list of their names)_____

(e) Number of students from your university abroad on this exchange (append list of their names)_____

(f) Number of FTE's claimed for formula grants_____

(g) Number of BIU's claimed for formula grants_____

15. If this is not an exchange program give:

(a) Number of Ontario students enrolled in this study abroad program or course who have registered in Ontario at university (append list of their names).

(b) Have all of the above:

(i) enroled for credit in degree programs described in their Ontario university's official calendar?

_____ Yes _____ No

(ii) been assessed the regular academic fee for their study abroad program/course?

_____ Yes _____ No

(iii) received instruction abroad paid for by their Ontario university?

_____ Yes _____ No

(iv) together generated no more formula income for their Ontario university than twice its direct costs?

_____ Yes _____ No

(Exclude from grant claim any students with "no" answers, noting which they are on appended list).

8. STUDY ABROAD...(CONTINUED)

(c) Number of FTE's claimed for formula grants _____

(d) Number of BIU's claimed for formula grants _____

(e) 50% of (BIU's x current BIU value of $ ___) = _____

(f) Man-years of teaching given (based on an Ontario faculty member's normal annual load) by:

(i) Ontario university's regular faculty _____

(ii) Other faculty specifically retained by Ontario university for program/course _____

(g) Direct costs of program/course (Formula-eligible expenditures only):

Teaching (attributable salaries & benefits	_____
Other instructional costs	_____
Physcial facilties	_____
Supplies and equipment	_____
Other (specify)	_____
Total (equal to 15(e) or greater)	_____

_____	_____	_____	_____
Signature (Responsible Dean, or equivalent)	Date	Reporting Officer	Date

9. Procedures To Be Used in Connection with Foreign Student Formula Fees:

Section 5.1.3 provides a full description of the policy regarding application of such fees. It continues to be a requirement that the institutions obtain a signed certificate from each student at the time of registration, in which the student declares and attests to his or her exemption status (a warning of a penalty for false disclosure should appear on the certificate) and agrees, if so required, to substantiate the declaration with documentary evidence.

The institution is expected to have in place documented procedures that are followed in respect of all new registrants to assess the reliability of the above certificates.

9.1 Enrolment Audit Procedures Regarding Foreign Student Fees

Institutions are now required to provide to the auditor, documented procedures that are followed in respect of all new registrants to assess the reliability of the certificates in respect of exemption from foreign student formula fees.

It remains the objective that the auditor's opinion be provided in the format shown in item 1 of this appendix and apply both to basic income units and formula fees; however, where, taking into account materiality limits, the auditor is unable to ascribe to the formula fee application the same degree of certainty, the Ministry will accept, in lieu of an opinion, in respect of foreign student fees, either as part of the auditor's report in item 1 or as a separate report, an audit opinion in respect of compliance to the procedures in the manner provided in Section 5815 of the CICA Handbook, "Separate Reports - Reports on Compliance."

The auditor's reporting in respect of foreign student fees must reference and attach a copy of the procedures, provide concurrence (or otherwise) as to the acceptability of the procedures, state whether examination was made in accordance with generally accepted auditing standards and accordingly, include such tests and other procedures as considered necessary in the circumstances and express an opinion as to whether or not the institution has complied with the referenced procedures.

APPENDIX 5.1.1

ONTARIO UNIVERSITIES STANDARD FEES SCHEDULE
1990-91 - REGULAR FEES

UNDERGRADUATE (TWO TERM FEES)

Group 1:	Standard Fee: $ 958
Technology (Lakehead)	

Groups 2 & 3:	See Group 5

Group 4:	Standard Fee: $1,236
Dental Hygiene (Technology) Nursing Technology Theology	

Group 5:	Standard Fee: $1,450
Agriculture Arts and Science (Toronto) Arts & Science (1st Year, Trent) Arts, General & 1st Year Honours Arts, Upper Years Honours Commerce & Business Administration Conversion Engineering (Lakehead) Diploma Public Health Nursing Education Environmental Studies Fine and Applied Arts Forestry Household & Food Science Journalism Law Library Science Music Nursing Ontario College of Art Programs (Formerly Group 3) Pharmacy Physical & Health Education Physio & Occupational Therapy Preliminary Year Pre-medicine Ryerson Programs (Formerly Group 2) Secretarial Science Science General & 1st year Honours Science, Upper years Honours Social Work, 1st year Social Work, Upper years Veterinary Medicine	

ONTARIO UNIVERSITIES STANDARD FEES SCHEDULE
1990-91 - REGULAR FEES (Continued)

Group 6:	Standard Fee: $1,574
Architecture Engineering Landscape Architecture Industrial Design Optometry	

Group 7:	Standard Fee: $1,844
Dentistry Medicine*	

GRADUATE (ONE TERM FEE)

All programs **:	Standard Fee: $ 728

* Except years 2 and 3 at McMaster, to which a standard fee of $2,768 applies.

** Except residency years of Oral Surgery and Oral Pathology, to which a zero standard fee applies, and Clincial Behavioural Studies at McMaster to which a standard fee of $495 applies.

APPENDIX 5.1.2

EXAMPLES OF NON-TUITION-RELATED COMPULSORY ANCILLARY FEES

1. PLACEMENT FEES

A. Institutions may charge for the total costs of placing students in jobs for work terms. The following types of costs will be considered eligible for coverage:

(i) placement-service costs including:

- salaries and benefits of that portion of each position directly related to the provision of placement services and work-term activity, including such positions as placement directors, officers, assistants and administrative and support staff; and

- non-salary expenditures attributable to the provision of placement services and work-term activities including travel, telephone, mailing/postage, printing, photocopying, publicity, computing, equipment and furnishing, supplies and expenses, and external meetings, etc.; and

(ii) maintenance costs of space used for placement service, including costs of utilities, custodial service and security of this space. Eligible space should include:

- the space used for administrative and professional placement staff; and

- interviewing or meeting rooms used in the placement function.

The costs of space used for part of the time for other purposes should be adjusted according to the proportion of usage for placement service.

B. Institutions may charge for the total costs of placing students in housing.

2. FIELD TRIP FEES

Institutions may charge for the reasonable, direct costs of travel and accommodation of students on field trips. Fees cannot be charged for such things as salaries and benefits or travel and accommodation of faculty or for any specific tuition-related activities for any field trips. Fees cannot be charged for any component of <u>out-of-province</u> field trips in <u>compulsory</u>

courses (as defined in Section 5.1.2.2). (Exemptions may be granted by the ministry for reasonable direct costs of out-of-province field trips in compulsory courses for institutions located near inter-provincial or international borders.)

3. **HEALTH/INSURANCE**

4. **STUDENT ACTIVITY FEES**

Student activity fees are those fees the revenue from which is not applied to the costs of instruction in any course or program normally offered for credit toward an eligible degree, diploma or certificate, but is applied to the costs of enhancing the cultural or social or recreational life of the students, or to provide other non-academic services to students. This definition excludes academic services such as library, computing and learning centre services.

5. **ATHLETIC FEES**

Athletic fees are those fees the revenue from which is not applied to the costs of instruction in any course or program normally offered for credit toward an eligible degree, diploma or certificate, but is applied to the costs of providing athletic or recreational services to students or the costs of athletic associations, or the cost of institutional athletic teams.

6. **STUDENT GOVERNMENT FEES**

7. **TRANSPORTATION/PARKING CHARGES**

8. **FEES FOR LEARNING MATERIAL AND CLOTHING RETAINED BY THE STUDENT (E.G., MICRO-COMPUTERS, DENTAL KITS)**

9. **FEES FOR MATERIAL USED IN THE PRODUCTION OF ITEMS WHICH BECOME THE PROPERTY OF THE STUDENT**

APPENDIX 5.1.2.2

CERTIFICATION OF COMPULSORY ANCILLARY FEES CHARGED TO STUDENTS

(UNIVERSITY LETTERHEAD)

TO: The Director
University Relations Branch
9th Floor, Mowat Block
Queen's Park, Toronto
M7A 1L2

This is to certify that $_____ was collected during the academic year 19__/19__ from students registered at (name of institution) in the form of compulsory ancillary fees. All these fees are non-tuition-related compulsory ancillary fees, as defined in Section 5.1.2 of the "Ontario Operating Funds Distribution Manual", with the exception of the fees outlined below:

We understand that any revenue collected for tuition-related compulsory ancillary fees will be deducted from the (name of institution) operating grant.

_____
Executive Head
(Name of Institution)

_____
Chairperson, Board of Governors
(Name of Institution)

APPENDIX 5.1.3

ONTARIO UNIVERSITIES STANDARD FEES SCHEDULE
1990-91 - DIFFERENTIAL FEES

UNDERGRADUATE (TWO TERM FEES)

GROUP II (TYPE A)*	REGULAR FEE	ADDITIONAL FEE	TOTAL FEE
PROGRAM GROUP 1	$ 958	$4,510	$5,468
PROGRAM GROUP 4	$1,236	$4,232	$5,468
PROGRAM GROUP 5**	$1,450	$4,018	$5,468

GROUP II (TYPE B)	REGULAR FEE	ADDITIONAL FEE	TOTAL FEE
PROGRAM GROUP 5	$1,450	$7,463	$8,913
PROGRAM GROUP 6	$1,574	$7,339	$8,913
PROGRAM GROUP 7***	$1,844	$7,069	$8,913

GRADUATE (ONE TERM FEES)

GROUP I (TYPE A)	REGULAR FEE	ADDITIONAL FEE	TOTAL FEE
Theology only	$ 728	$2,007	$2,735

GROUP II (TYPE B)	REGULAR FEE	ADDITIONAL FEE	TOTAL FEE
All other programs ****	$ 728	$2,615	$3,343

* GROUP I (TYPE A) = Students reported in a program of weight per term of 0.75 or less, or in Upper Years Honours Science, Music, or Environmental Studies at weight 1.0 per term.
GROUP II (TYPE B) = Students in all other programs.

** Includes former GROUP 2 (Ryerson) and GROUP 3 (OCA) programs.

*** Except Medicine, years 2 and 3 at McMaster, to which a regular fee of $3,768 and additional fee of $6,145 apply.

**** Except Clinical Behavioural Studies at McMaster, to which a regular fee of $495 and an additional fee of $2,848 apply.